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APITALISM VS. BOLSHEVISM

By GEORGE L. WALKER

CAPITALISM

VS.

BOLSHEVISM

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BY
GEORGE L. WALKER

Editor
Boston Commercial
Author, Capital,
Walker's Copper Letter, Etc., Etc.

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CONTENTS.

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Chapter		Page
	Introduction	1
I	The System	6
II	Capital	30
III	Overproduction	37
IV	War Lessons	43
V	A Protective Tariff	51
VI	Wages	70
VII	Bolshevism	85
VIII	Discontent	99
IX	Profits and Interest	107
X	The Corporation	115
XI	Wall Street	118
XII	Money	125
XIII	Taxation	129
XIV	Luxuries	135
XV	Our Opportunity	143

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INTRODUCTION

My previous booklet, CAPITAL, written and published in 1914, was accorded a reception which convinced me that great numbers of people were interested deeply in the analysis and explanation of our present system of industry therein presented. Recently there has been a strong revival of the demand for it. As the last edition has been exhausted, and as many of my friends have urged me to write again in the more brilliant light which the great war has thrown upon the economics of national life, I have violated the eight-hour regulation and turned out the material that follows.

It has been my plan to tell my story in language that all can understand, to employ a style conducive to easy reading and to write precisely what I know and believe to be true, without equivocation. The reader will not find it a-long-drawn-out argumentative discussion. If anything, it is too short. But I believed it best to

keep it within the limit of a single evening's reading.

In these days when the extreme socialists, known there as the bolsheviki, are undertaking to force all Russians to accept their outrageous and impracticable social scheme by murdering those who disagree, and meanwhile dragging the whole population of Russia steadily downward from want to starvation; and when the propaganda of bolshevism is being carried on actively in this and every other country, it certainly is desirable that something be written and published which will make clear to the wage earner and the farmer, and also to the business man and the capitalist, the nature and character of the so-called capitalistic system of industry.

By devoting a great deal of my time during the past 20 years to the work of examining and valuing mining properties, and also a variety of other industrial enterprises, I have become impressed that the average man has a rather hazy knowledge of what is really going on in the world beyond the limits of his personal vision. Although I have become well acquainted with hundreds of miners, I never met more than two or three who had a clear idea of the value and

importance of the mine in which they worked. The one employed in a rich stope is prone to think it the greatest mine in existence, and another who is helping drive a connection through barren rock usually is convinced that the property is well nigh valueless.

Capitalism has been camouflaged and misrepresented until hardly anybody knows where it is or what it is. It needs to be explained to the people who are the most intimately associated with it. When it is understood sane and rational thinking people never can be induced to exchange it for any other social and industrial system, there will be a general disposition to lose faith in the witch-doctor charms of the socialists and bolshevists and to turn to remedies that have been tried and proved.

Although a liar is almost as unpopular as a person with a contagious disease, the truth is not anywhere near as popular as might be desired. To illustrate, a library in a town near Boston, the report of which is now before me, circulated 28,743 books of fiction last year and only 2,330 of history. The appeal of the good story is largely responsible for the spread of bolshevism, the advocates of which, never per-

mitting themselves to be restrained or even influenced by facts, always are ready to stretch, compress, bend or twist their doctrine if they thereby may hope to bring more converts to their fold.

Capitalism, however, is by far the most wonderful, astonishing and thrilling of all man's creations. Here in the United States where it has reached its highest development evidence is immediately at hand to confirm every truthful statement that is made concerning it. We Americans have the best of reasons to be proud of our capitalism, and the time has come for us to declare our faith. The tens of millions of socialist and bolshevik publications that are being circulated every year have made a diseased state of mentality more or less prevalent to which the tonic of truth must be administered.

I have every confidence in the great common people and in their high standard of intelligence. I know that they would be quick to discover it if I tried to fool them. All Americans are interested in the same things, personal liberty, increasing opportunities for the individual, continuous prosperity and steadily im-

proving standards of living. I have written to promote these good objects and to resist the influences which are being exerted to destroy them.

THE AUTHOR.

Chapter I

THE SYSTEM

Before we decide to join the bolsheviki the syndicalists or the socialists, we should make sure that we thoroughly understand a long list of things, the two most important of which are the present system, which they propose to throw into the discard, and the new system of society which those organizations are planning to establish.

It is not good business to throw anything away until you are satisfied that it is worn out, unfitted for the purpose intended, no longer in style or in every way valueless. On the other hand, it is not good judgment to give your all for something new merely because the demonstrator or salesman is a plausible talker. You first should make sure you are getting your money's worth, that the new thing or arrangement is certain to bring you great benefit and happiness.

The present system, called capitalism, is

based upon personal initiative and effort, and the private ownership of property. It was a very simple system at the outset, but has grown more complicated as the wants and the purchasing power of the individual have increased. Now it has become difficult both to understand and to describe.

Every country must have its industrial system, and the three prime factors of every industrial system necessarily are production, distribution and consumption.

Ideals, theories, fads and all kinds of isms are secondary. First importance must be given to food, raiment and shelter, which make it possible for people to live on the earth. These necessities of life have to be produced and distributed before they are available for consumption.

The work of production and distribution, regardless of the system or form of government, has to be done by the people. Nearly half of all the people now on the earth wrest their living from the soil almost with their bare hands, still using only the most primitive implements and tools; and approximately one-third of the world's people still depend upon muscle power,

upon the backs and legs of mankind, for their transportation service.

When a primitive man comes to own a horse, an ox or other beasts of burden he is a capitalist. He has stored up an amount of personal effort, which he exerted in excess of that required to sustain life from day to day, and is able to draw upon that stored energy for assistance in the work of production and distribution.

After large numbers of men have obtained beasts of burden, fashioned vehicles, plows, etc., the productive capacity of the community in which they live is increased and transportation quickened. The capitalism of the United States is a higher development of this idea. To domestic animals it has added the most effective tools, machines of unending variety, and an immense volume of mechanical power, and has organized wonderfully efficient systems of production and distribution.

A few of the resulting benefits will be mentioned. First, it has added so greatly to the volume of production and so quickened transportation as to make it possible for several times more people to live and support them-

selves upon the earth; second, it has lightened human burdens and provided leisure and surplus which permit of the education of the young and the acquisition and enjoyment of a multitude of comforts, pleasures and luxuries, and third, it has opened up almost unlimited opportunities to the children of the most humble to rise to positions of influence and wealth.

Capitalism is a system that holds out strong inducements to the individual to strive for himself and family. It implants in the breast of every rational man a desire to earn save and accumulate property for himself and his children. Opportunities to accomplish these things are supplied galore. A great many men take advantage of some of these opportunities and as many more do not.

Those who have neglected or overlooked their chances and those who have spent their earnings as they have gone along are likely to see life and the system from an entirely different viewpoint than those who have practised alertness, industry, self-denial, and exercised good judgment in the conduct of their own affairs. Men of the first two groups want to blame something for their failure and they pick

on the system. Those in the last group attend to their own business and don't bother to reply to the arguments or to deny the accusations put forth by the dissatisfied portion of the people, hence one side of the argument is heard from day to day and the other side rarely, if ever.

Briefly, the savings and accumulations of the rich, the middle-classes and poor are invested in a great variety of industrial enterprises. Men of genius and business capacity form organizations, chiefly corporations to employ these savings productively so that they will earn interest and profits. Approximately 90% of all interest and profits is reinvested in industry. This method of utilizing savings in its highest development multiplies the productive power of hand labor, at least seven times over. More than three-quarters of the increased product thus gained necessarily goes to labor.

When corporations are given encouragement and the principle of property right defended by the public, industrial expansion is rapid, labor is fully employed, wages are high, the people are prosperous and the volume of production is so large that the cost of living

tends to decline gradually from year to year. During periods of reform agitation and legislation, of assaults by the constituted government upon the right of property ownership, of strikes and other labor disturbances, savings are invested less freely, there is reduced expansion, business interests hesitate, production does not grow as rapidly as population and thus the cost of living advances.

What the dissatisfied portion of the public doesn't understand is that interest and profits must be invested, that their investment increases the country's production, that the product must be sold and that a market for an ever-growing volume of output cannot be created except by permitting the prosperity and purchasing power of the working people to rise steadily from year to year. This increased purchasing power may come about through declining prices just as well as by wage advances.

Capitalism is an evolution. It is an aggregation of age-old and newer truths which have been demonstrated to be practicable and trustworthy. It comprises the workable principles, methods and processes that all generations of men from the beginning of time have

discovered, developed and learned in their struggles for existence and in their dealings with one another. It is the concentrated business and social wisdom of all ages, the best of the experience of our ancestors, the part that could not be disregarded or discarded and which necessarily, therefore, has continued in use.

Of course it is inconceivable that anybody should expect superior social and economic wisdom to be evolved from the brain of "a seedy looking individual with unkempt hair and beard and clothing badly soiled who spent the most of his hours alone in the far corner of a low-ceilinged saloon over a stein of ale;" but increasing numbers of people have shown a disposition to take their wisdom from such sources in recent years. Others are confident that true and trustworthy wisdom always is the child of experience.

For a score of years past large numbers of irresponsible agitators have been striving untiringly to teach the ignorant, the thoughtless, the weak-minded, the idle rich and the unfortunate poor to hate capitalism; and the efforts of soap-box orators have been ably seconded by the "academic bolshevists, of whom

our colleges and universities are altogether too full."

Social-uplift, socialist and I. W. W. agitators—many of whom are innocently ignorant and the rest corrupt—have taught millions of working people to believe that capitalism robs the poor. Absurd as this proposition is on its very face, it has provoked widespread bitterness and antagonism and even been responsible for riots and revolutions. The penniless tramp declared that the only time he ever entertained fears that he might be robbed was when he was asleep and dreaming. A lot of our social reform agitators should try to wake up.

Of course capitalism doesn't rob the poor. It can't. The poor have nothing of which to be robbed. Capitalism urges and assists the poor to better their condition. Both the capitalist and the worker thrive best when a very large volume of business is being done on a narrow margin of profit. Therefore capitalism is interested in following a line of development and progress that gives all labor constant employment and large buying power.

It is impossible to demonstrate exactly how much capitalism contributes to the work,

or the volume, of production or how far it assists in distribution; but Bulletin 102, part 5, issued by the Smithsonian Institution, contains these estimates, first, that the amount of power in use in the United States is about 150,000,000 horsepower, second, that this is equivalent to "the labor of three billion hard-working slaves."

That the number of people engaged in gainful occupations in the United States is 40,000,000 is a government estimate also. It would seem to follow, therefore, that capitalism is contributing 77 times more energy to the work of production and distribution than the wage earners are; yet it is impossible to show that capital receives as its share as much as 20% of the benefits accruing. If the government estimates are not more than 25 times too high, indeed, even though they are 77 times too high, capitalism clearly is not to be spoken of as robbing labor.

To follow this matter of power a bit further, it has been estimated that the farmers of America feed 40% of all they raise to their horses. For the limited benefit the farmers get from this rather awkward form of power

they apparently give up twice the proportion of their product that capitalism withholds from labor. Horses supply only a portion of the power requirements of farmers, as they do not help weave the cloth for his clothing, mill his grain, saw his lumber or draw the wire for his fences.

Capitalism supplies power and facilities for which labor unhesitatingly would surrender half or two-thirds of its products provided they were unobtainable at lower prices. Capitalism also pays for the plans, the organization and the management that double the effectiveness of power and machinery, and charges only 10 or 20% of the product. Hasn't it been stated wrong all along? Isn't it labor robbing capital instead of capital robbing labor?

Everybody is aware that capitalism has reached its highest development in the United States. Before the great war more than a million poor people were coming here from other lands every year. There was no such volume of emigration to any other country. Capitalism was creating here a heaven on earth for the poor, and the poor of the outside world were coming to take advantage of it as fast as they

could get together the money to buy steamship tickets.

One who has read and analyzed history has only to look about him to see and appreciate what capitalism has done for the people who work with their hands. It has made it possible for them to rise from slavery and serfdom to citizenship and independence, to obtain a continuous and abundant supply of the best foods that land and ocean yield, enabled them to dress comfortably and in accordance with personal tastes, to occupy dwellings equipped with all modern improvements, and provided educational advantages and opportunities such as were not enjoyed even by the aristocracy as recently as a century ago.

Before the great war capitalism had brought almost everything worth while within the reach of the American wage earner, including newspapers, magazines, books, music, gas and electric lights, telephones, phonographs, moving pictures, theatres, baseball, golf, travel on steamships, railroad trains and electric cars, and ownership of his home; and thousands of wage earners were riding to and from their work daily in their own automobiles. The

working people of no other country in the world enjoyed these things to one-fifth the extent that they did in the United States. Opportunities to rise from the ordinary walks of life to the most honorable and highly compensated positions and to acquire fortunes were multiplying and the sons of workingmen were foremost in taking advantage of them. Ambition was encouraged and industry rewarded.

Capitalism had accomplished all this while it was constantly under fire. The labor organizations claimed all credit for it, on the ground that their never-ending agitation and strikes for fewer hours and higher wages had made the working people prosperous. Every act of theirs had served to retard the progress of the American people toward a more uniform prosperity and a higher average standard of living.

Labor organizations or no labor organizations, the working people of the various countries of the world are prosperous or indigent in the ratio with which capitalism has been developed there. Proportionate to their national wealth and population the people of England and France were not as prosperous as ours; but that was due to the fact that England and

France had invested a large proportion of their capital in foreign countries, while substantially all of the capital of the people of the United States had been invested at home, together with a very large amount of borrowed capital.

Less than 25% of the world's people live under full-fledged systems of capitalism. Capitalism expresses itself in power-driven machinery and highly efficient business organizations. Its purpose is to reproduce capital with capital, and then to go on reproducing capital in multiple, accomplishing this by multiplying the productive power of human labor.

In the earlier days of modern capitalism it was the habit of people to speak of "labor saving machinery," and also of "labor displacing machinery." With feelings of uneasiness they pointed out that machinery enabled one man to do the work of several men, thus reducing the demand for labor. Later on it was stated in another way, that machinery enabled one man to produce as much as several men, thus increasing very greatly the supply of desirable products. Then machinery began to be looked upon in a new light.

Of course it was recognized then, as it

should be now, that the end and aim of practically all labor were production and distribution. If more of these desirable results could be accomplished with less labor, so much the better. People never were as fond of work as of products.

Modern machinery was only fairly well along toward general adoption before it developed that its multiplication of the effectiveness of hand labor resulted in overproduction, which caused frequently recurring industrial depressions. This overproduction presented one of the most puzzling economic problems of all time.

How capitalism solved the problem of overproduction is told in another chapter. It was the crowning development of all economic history.

Although capitalism is one of the most remarkable, and doubtless the most vitally important, of man's creations, it is not the outgrowth of the acceptance of a carefully matured plan. No statesman, economist or philosopher of past generations left behind him a written line to indicate that he had any mental conception of an

industrial future that tallied at all with the one that has developed.

It seems that primitive man must have been following the dictates of his own practical experience and common-sense judgment when he broke over the boundary line from barbarism to civilization. Evidently he continued to follow them and they led him to capitalism.

There are good reasons for the belief that man lived on the earth for at least two hundred thousand years before he was able to take more than a very few steps forward industrially. After he had developed the ability to make crude stone implements, spears, bows and arrows, invented fish-nets and a few traps and snares to catch wild animals his progress appears to have stopped and left him stationary at that stage of his advancement for countless generations.

If man had grown wings and thus been able to fly rapidly back and forth from the north to the south, as some of the migratory birds do, visiting each and every spot on the earth's surface in nature's harvest time, he might have continued a benighted barbarian to this day. It is quite apparent, however, that

the Creator had a very different plan in view when man was fashioned.

Man was made to be a worker. Unless he foolishly prejudices himself against it, work is one of the most pleasing occupations of his life. It is a game that is interesting every moment of the day. There are prizes for all of the players, and for those contestants who apply themselves most faithfully, never permitting their personal enthusiasm and ambition to relax, the prizes are very large.

Our ancestors of primitive times who were obliged to work with so few mechanical helps and to endure such severe hardships and privations, undoubtedly carried about with them a big fund of common-sense and were both resourceful and ambitious. Why they did not begin accumulating capital thousands of years earlier and using it to lighten their labors and to increase their productivity is not entirely clear. There is a great deal of evidence, however, that stealing and a general disregard for property rights prevented accumulation, and that man's progress toward a higher civilization did not begin until after property rights had

become a generally accepted and established moral and social principle.

Early civilization was extremely strong for property rights. Until a few generations ago the crime of theft was punishable by death. That custom probably did not bespeak a prevailing standard of cruelty so much as it did a popular determination to stamp out a tendency or habit which the people as a whole had come to consider as severe a crime against the public welfare as murder. It is evident, therefore, that the people of those generations that witnessed the emergence of mankind from barbarism to the borderland of civilization were convinced that the recognition of the individual's exclusive right to have, hold and use his savings and accumulations was to be the basis of human progress.

In recent times the people have been taught to believe that the one quick and certain way to improve the condition of the wage earners is to give them a larger share of the profits of capital. If it can be demonstrated that this country has been making too rapid progress industrially than it will have been proved that profits have been too large. More than 90% of all

savings, interest and profits remaining after taxes, have been reinvested in enterprise. Should we discontinue doing this and thus rob in advance the generations that are to come after us?

The most important of all products is the food crop; but the annual crop of new capital, made up of interest, savings and profits, is a close second. This capital crop is a prime essential to the advance of civilization. It builds, extends and expands transportation systems, mills and factories, opens the mines and installs the machinery that enable man to produce and distribute, with constantly decreasing effort, an ever-increasing abundance and variety of the necessities and luxuries of life. It replaces fire losses and other unavoidable destruction, and makes it possible to scrap machines and even whole plants the moment something better has been developed to supplant them. To the extent that profits are cut down the progress of the people toward a higher standard of living and civilization necessarily must be delayed.

Capitalism in its hustle for profits carries the people up the hills of progress in palace cars, offers them every delicacy that appeals to

the palate, takes every care of their comfort and health, and humors their every whim. The more it gives the less, in proportion, it takes for its services; and as it grows bigger and stronger and more all-pervading its power to domineer and to dictate steadily diminishes.

Nothing else, not even education, exerts the influence that capitalism does to develop the initiative, the self-reliance and personal confidence of the individual. It is an individualistic system of industry. Millions of individuals are watching constantly for evidence that one or more of thousands of commodities and services are in demand, and hastening to supply them the moment it becomes possible to do so with profit.

Not the human frailities of one, but the watchfulness and wisdom of millions are depended upon to see to it that all needs and legitimate desires are supplied. And what is the result? Except when the egotism and personal ambitions of politicians clothed for the time with the power of government, interfere with and attempt to regulate this wonderful individualistic system of production and distribution there always is enough of everything

each day at all of the world's numberless centers of supply.

Capitalism is a plant of tender growth. It thrives only where the rights of property are recognized and respected, where stability of government exists and conservative thought prevails. Thievery, either private or public, whether it be called banditry, piracy, socialism, bolshevism or by any other name, is a preventive of capitalism, capitalists being unwilling to take the chance of their property being destroyed by insurrections, stolen by bandits or confiscated by the government, in addition to the business risk which always is present.

Contrast the condition of the working people in China, where capitalism never has developed beyond the primary stage, with that of the wage earners in America. The Chinese have very little machinery, few tools and hardly anything in the way of modern transportation facilities. Although they work hard, 12 to 14 hours daily, they are able to produce only a trifle more than the bare necessities of life.

The Chinese cultivate the ground with pointed sticks, still weave about half of all the cloth used there on hand looms, saw boards

from logs with elbow-grease and lug the water supply of considerable cities long distances in preference to piping it. The gross average production of the Chinese workingman is only a trifle more than the average American working man wastes. It is so small that the 10 to 25 cents a day they are paid when they work for wages constitutes no robbery.

Yet the Chinese are noted for their industrious habits, and as hand workers they are highly efficient. The trouble is that they have neither domestic animals nor power machinery to help them increase their productive power. They are opposed to capitalism. Somebody has told them it would deprive them of employment and exploit them.

Perhaps we shouldn't laugh at the silly objection of the Chinese to machinery. As recently as 50 years ago their white brothers in England and the United States were organizing strikes against the introduction of labor-saving machinery.

Our socialists and single-taxers haven't anything on the Chinese either. The government of China confiscated the large land holdings and distributed them to the people 2,000

years ago. It also loaned the farmers money at 2%. For once the Chinese rested. With plenty of land and money there was no occasion to work. As a result insufficient foodstuffs were raised to feed the people and they experienced a famine, hundreds of thousands dying of starvation. That particular famine was caused by social reform, not by nature—unless it was human nature.

Now the Chinese are awakening. They have overthrown the old government and are discarding their old ideas. If their new government takes an unqualifiedly firm stand on the right of the individual to own, acquire accumulate and defend property, the industrial progress of China during the coming 50 years will be likely to astonish the world.

What's the matter with Russia? Nothing, except that the people have been denied the benefits of capitalism. Before the great war 82% of all the Russians were engaged in agricultural pursuits. They raised comparatively little for export. Of course they were illiterate. The children had to help their parents cultivate the ground with pointed sticks. The whole country didn't earn enough to pay for

education, or if it did, the people needed other things more than they did the ability to read, write and figure.

No one will deny that the Russian people were "exploited" by the government; but it was a foolish exploitation. Capitalism would have increased the productive capacity of the Russians seven-fold, given the people five times the amount they had been getting and returned adequate income to the government and big profits to capital. The capitalists of the world were afraid to establish industrial enterprises in Russia, because the revolution that now has come had been anticipated for many years.

The pet indictment of capitalism in the United States is the slum. What is a slum? It is a place where Russians and the peoples of other misgoverned and backward countries congregate when they come here. The cheaply constructed and crowded dwellings of the slums are more comfortable, cleaner and better ventilated than the sod huts from which such people emigrated. To them the slum is promotion progress. They save money, too, as is proved by the fact that 83% of all the deposits in the

postal savings banks of New York City belong to people of foreign birth.

When the people come to understand capitalism they will array themselves in its defence. They will insist that the government stop interfering with the business of individuals and attend to its own. Strikes and everything else that tend to restrict the country's yearly volume of production will be made criminal offences. Property rights will be respected and defended.

Chapter II

CAPITAL

(Capital: That portion of the produce of industry which may be directly employed to support human beings or to assist in production.)

Generally speaking, all of that great variety of things which primitive man by no possibility could have possessed, and which all civilized peoples have come to feel that they must have, are capital.

The cave dwellers had nothing but a few crude weapons and implements and their own physical powers. Their descendants of today have productive machinery and conveyances driven by steam, electric and gasolene power, which spare muscle, save time and multiply man's productive capacity.

Capital is the savings of past generations, to which the savings of the present generation are being added. It is that portion of the sur-

plus product which has been saved and devoted to the work of production and distribution. Everybody has the privilege of spending all of his income for self-gratification, for luxuries, comforts and entertainment, and for this reason those who save a portion of their income and use it to speed up industry, to raise the general standard of living and to strengthen the nation, are entitled to own it, and they also deserve great credit for having performed a valuable public service.

Ships and railroad trains are capital. So long as they convey a man and his goods much more quickly, safely, satisfactorily and cheaply than he and his property possibly could be transferred by any other known method, he doesn't, or at least shouldn't, care who owns them.

Textile mills and shoe factories are capital. If they supply a greater abundance of cloth and shoes, and enable us to purchase cloth and shoes at prices that represent smaller amounts of money than we can earn in the time it would take us to make them for ourselves, they certainly benefit us to that extent.

Foodstuffs, domestic animals, raw and

partly manufactured materials for further manufacturing, growing timber — to the extent that it will sell for more than the cost of cutting, transportation and sawing — developed waterpowers, ores, coal, oil and other useful earth products are capital, and also improved agricultural lands, farm buildings, farm machinery, fences, seeds, fruit-trees and vines.

Education and all the acquired knowledge of scientific and effective methods of producing, manufacturing and distributing the necessary and desirable things of life are capital, and it was the use of capital that made them possible.

Natural intelligence, practical knowledge, resourcefulness, ability to handle and direct men and to make effective plans and execute them, a good character, the habits of truthfulness, reliability, industry and thrift, a disposition to be just and fair, to avoid bitterness, jealousy and envy toward your fellows; these attributes and accomplishments constitute personal capital and they bring prosperity as well as happiness to their possessors.

Unimproved land and undeveloped natural resources, monuments, the Egyptian pyramids and a great variety of things which have little

or no use value, including works of art, gems, jewelry, excessively costly residences and business structures, etc., more properly are defined as wealth. Factories and mines are fixed capital and their products, ready for sale and use, are liquid capital.

It is highly desirable that the existing supply of capital be large and that it increase rapidly. Every individual should strive to acquire, save and accumulate capital. So far as the public welfare is concerned, however, it matters little whether the ownership of capital is concentrated or widely diffused.

All a billionaire gets out of his wealth is a living, such luxuries, pleasures and privileges as he may think it wise to indulge himself in, assurance that he will not be compelled to beg or starve and the satisfaction and pleasure that arise from the pride of ownership. He can't spend more than a small fraction of his income. His wealth and at least 95% of its earnings, therefore, are devoted to the service of the public.

If the profit on invested capital is large, then there is a greater amount of new capital to be invested each year. Big profits both in-

vite competition and supply the capital to finance the competition. Immediately following a period of exceptional prosperity for invested capital there invariably is a period of industrial construction, development and expansion.

The power of capital over the lives of the people decreases as the amount per capita employed in industrial occupations increases. Where the capital supply is insufficient the owners of what there is can demand their own terms of the public. They are in as strong a position relatively as wage earners were during the last year or two of the great war, when a shortage of labor enabled labor to dictate working conditions, hours and wages.

Wage earners and consumers somehow or other have been taught to believe that "vast aggregations of capital are being built up which eventually will become strong enough to defy the people and dictate both wages and the prices of all living necessities." It would be as sensible to say that eventually there will be such an immense amount of rain that all vegetation will dry up and die of drouth.

Owners of capital must employ it to get profits, interest and dividends. As the supply

of capital increases it competes for employment and accepts lower and lower rates of income, just as an over-supply of labor leads to the acceptance of lower and lower wages by workingmen.

If all the people of the United States could be made to understand the perfectly simple economic fact stated in the preceding paragraph they easily could make this country the paradise of the whole world before the end of another decade.

By enacting laws that would make the owners of property feel secure in its possession and free from governmental attack and excessive taxation, by a protective tariff and an immigration law that would keep both cheap labor and its products from coming in, the surplus investment capital of the whole world would be attracted here. There soon would be a full, if not excessive, production of everything and wages not only would be high, but a day's pay eventually would buy nearly double the amount of the necessities and luxuries of life that it would anywhere else in the world.

Such a condition would not result in overproduction, followed by business stagnation

with unemployment of labor and declining wages. This old theory of economics, though absolutely sound 50 years ago, no longer holds. How capitalism has corrected the old-time evil of periodic overproduction is told in another chapter.

Chapter III

OVERPRODUCTION

In the early days of capitalism the one foremost and universal desire of peoples was to be supplied fully and at all times with the necessities of life. Previously human existence had occupied for the most part the narrow span between shortage and famine. There had been few comforts and fewer luxuries. Therefore capitalism at first was engaged almost exclusively with the work of producing and distributing necessities.

Introduction of power machinery into industrial operations and the use of steam railroads for transportation released great numbers of men from the more arduous occupations such as lifting, lugging, pulling, hauling and carrying. A much larger supply of labor and an immense increase in its productive capacity came at about the same time, therefore.

Naturally an overproduction of necessities

soon resulted. Whenever more had been produced than could be sold there was nothing else to do but discontinue producing. Cessation of operations, however, threw men out of employment, cut off their wages and deprived them of the ability to make purchases.

Long periods of industrial depression followed, commonly spoken of half a century ago as "hard times." They originated, almost invariably in those earlier days, in overproduction and were prolonged by "under-consumption." Only two remedies for them were known — industrial expansion and war. Both of these reduced the ranks of those engaged in the production of necessities and, by providing employment and compensation for workers in another field, created a market for the surplus products. War not only used up materials, but killed off a portion of the labor supply and also consumed and destroyed capital.

During "hard times" there was no encouragement to expand industrially, overproduction itself being convincing evidence that more than sufficient productive capacity existed already. Few if any capitalists ever favored war as a remedy for industrial depress-

ion. Nearly all wars have been brought about by need of or desire for more territory, or by ambitious sovereigns whom the people entrusted with too much power. Formerly wars made, but in these days of capitalism they unmake monarchs.

Prosperity, overproduction and then a long period of depression; prosperity, overproduction and then more "hard times." These occurred in what came to be called cycles. Nobody was able to suggest a feasible remedy. They were responsible largely for the rise and development of such doctrines as socialism and a single tax on land values. Labor organized to combat the introduction of labor-saving machinery and on that issue there were thousands of strikes.

The individual initiative, which capitalism encourages, solved the problem without knowing it was going to do it, and for a quarter of a century past there has not been a single period of industrial depression in the United States that was due directly to overproduction.

Overproduction and then depression, or overproduction and then war followed by a long period of prosperity, had come to be consid-

ered a sort of necessary process of economic law; but it was overthrown when capitalism finally evolved a substitute for war, something that withdrew an ever increasing army of men and women from the ranks of the necessity producers and compensated them liberally for serving in another field of activity.

The substitute for war was play. Some 30 or 40 years ago luxuries, entertainments, comforts and conveniences began to be multiplied with astonishing rapidity. The bicycle, the trolley line and then the gasolene launch and the automobile; professional baseball, moving pictures, phonographs; running water in the home with bath-tubs, illuminating gas and electric lights — all these and too many other things to enumerate, not necessities, because our forefathers had managed to get along very nicely without them — soon became matters of almost universal enjoyment.

A large and steadily growing number of men and women, a sort of joy army, was producing, distributing and dispensing luxuries, comforts and conveniences. All of its products soon were brought within the reach of the wage earners. The men and women in the joy army

no longer competed with the necessity producers, but they still were buyers and consumers of food, raiment and shelter.

It was one of the wonderful triumphs of capitalism. Investment of capital and reinvestment of profits, interest and savings had raised the standard of living of a great people to a higher level than the most imaginative ever had dreamed possible. Power machinery had so greatly increased the productive capacity of industry that these additional blessings could be provided, and not alone the owners of the machinery, but the whole people were enjoying the benefits.

At last capitalism had reached a position of almost perfect balance. Continuous prosperity had become a reality. It was no longer possible to bring forward a logical economic argument against industrial expansion or in favor of war. A large volume of production would not bring industrial stagnation, but would enable the people to enjoy more luxuries and pleasures. Overproduction had ceased to be a bugaboo.

All of the panics and industrial depressions that occurred during the following 25 years

were due to political interference with business, to ill-considered legislation and ill-advised activities of labor organizations.

Chapter IV

WAR LESSONS

The great war has taught us that when the demand for anything exceeds the supply — when more is needed than is being produced — we either must pay high enough prices to encourage an increase of production or fail to have our wants supplied.

This is something the people of America had forgotten, because for more than a generation before the war capitalism had provided constantly a relative abundance of all the desirable products. Therefore the people had become accustomed to believe that there could be no such thing as a shortage, except as a result of "deliberate connivance on the part of the trusts."

The war also demonstrated forcefully that the law of demand and supply can exert a powerful influence on wages. There was a decrease

in the supply of workmen and an enormous increase in the demand for them and wages advanced in all parts of the country, the rise being greater in some trades that were not organized than in others that were.

Again, the war demonstrated that the prices of everything and the cost of living always must go up with wages. Even fixed prices, those fixed by custom as well as those fixed by government decree, had to be raised to keep step with advancing wages.

Railroad and trolley fares, freight rates, gas, electricity, and even the daily newspaper advanced in price. Although the wages of newspaper employees rose comparatively little a portion of the increase in the pay of pulpwood cutters, of paper, ink and printers' roll makers, of coal, lead and antimony miners, and of the workers in a great variety of other industries, had to be paid by the newspapers, and their publication costs doubled.

There is some difference of opinion as to whether advances in wages, shortage of supplies, governmental intermeddling with labor and business or the tremendous addition to the volume of paper money previously in cir-

culation was chiefly responsible for the astonishing increase in the cost of living. It is certain that all four contributed their generous share.

Ample evidence was supplied by the war that governments, powerful as they always think themselves to be, cannot pay their expenses with the product of a printing press without bringing about a disarrangement of prices and values that eventually will cost untold billions in business and financial hesitancy, delayed industrial progress and unemployment of labor.

The war must have convinced all the people that rich men and their sons are made of human clay, that they are every bit as patriotic and self-sacrificing as those having less capital, that they always can be depended upon in time of emergency to give up their money and fight bravely for their country. Their devotion, their sacrifices, their support of the several war charities — also the more recently published lists of names of those to whom evidence points as having been beneficiaries of the secret German slush-fund — prove that many of the agitators and editors of the yellow press knew

that they were not telling the truth when they said it was a capitalist war.

The war must have made clear to everybody the value to the nation of the privately owned capital of its citizens and also of our much maligned "capitalistic industrialism." Unquestionably the privately owned mines, mills, factories, railroads and ships of France, England and the United States made possible the winning of the war, just as the lack of capitalistic development rendered Russia helpless the moment her accumulated stocks of ammunition were exhausted.

With the relatively small amount of power machinery at their disposal Russia's 180,000,000 people were unable to feed and supply an army of 10,000,000 in the field even though fighting on their own soil. If the war had gone on three years longer the ability of the United States to place an army of 10,000,000 in Europe and supply it there would have been demonstrated.

How many soldiers and sailors this country did feed and munition never will be known; but it is certain that without the food, ammunition and other supplies which were produced

here and exported, Germany would have conquered France and probably England too, long prior to the date on which the United States entered the war.

Capital in use and the wonderfully effective organizations created by capitalism enabled the United States to finance its own participation in the war and meanwhile extend billions of credit to its allies, to provide for its own people and army while it was supplying the deficiencies of the several other nations that were dependent upon it in part for materials with which to continue their fight against German autocracy.

Lack of capitalistic development was responsible for Russia's failure. German propaganda and intrigue did not weaken the government or the military forces until after the defeat of the Russian army was practically complete. Russia didn't have the industrial organizations and machinery to equip and munition an army, the credit or the taxpaying ability to finance a war. Statistics prove this conclusively.

Of Russia's vast population 82 1-2% were engaged in agricultural pursuits prior to

the war. This indicates that the average Russian farmer was able to produce only 25% more than enough to feed himself and family. By comparison, only 32% of the people of the United States were on farms, indicating that the average American farmer was able to raise enough to feed his own and two other families. The difference wasn't due to the amount of work done or the fertility of the soil; but to the fact that Americans are able to employ the most modern machinery and cultivate a very large acreage per man, while the Russian peasant is limited almost to a spade and a picked stick.

Our own academic bolshevists reply to this with the statement that the Russians were "exploited," that they were denied educational facilities in order that this exploitation might be continued unrestrained. The truth is that the Russians did not produce enough surplus capital to pay the cost of an educational system such as is supported by the taxpayers of America. Russia's middle-class constituted only 5% of her people. Let it be admitted that the Russian people were "robbed;" but it must

be as plain as day that the robbers got hardly enough to make the robbery worth while.

What did the "robbers" of the Russian people do with their booty? Presumably they exported it and invested the money abroad. The gross value of Russia's exports for the year 1912 was $782,181,000, or a fraction less than $4.35 per capita. For the same year the value of United States exports was $2,362,696,-056, or $23.62 per capita. Russia's imports for the same year were valued at $603,463,000 and those of the United States at $1,812,978,000.

Apparently what little capitalism there was in Russia was required to enable the people to keep alive. The surplus produced was barely enough for safety, far less than sufficient to pay for education and capitalistic industrial advancement.

The foregoing figures spell the doom of the bolshevik government of Russia. That country hasn't the productive capacity, with its people obliged to labor as they do almost with their bare hands, to provide itself with modern industrial equipment. It must borrow capital, and under bolshevism this is impossible, because the bolshevists have confiscated all the

property of the rich and middle classes, and nobody will lend money to an avowed thief.

The real proof of a nation's greatness is its ability to add constantly and substantially to its industrial strength, to provide its people employment and enable them to raise their standard of living from year to year. In Russia the standard of living has been practically unchanged for 50 years.

Perhaps the most important thing the war has demonstrated is the fact that absolute national safety is dependent upon the ability of a nation to supply all the needs of its people and to munition its armies in time of war. No other great country in the world was in as good a position to do this as the United States, even Germany being a bad second.

Chapter V

A PROTECTIVE TARIFF

Practically every organized nation in the world collects tariff duties on a portion of its imports. All but a very few of them use the tariff as a means of giving encouragement to home industries, levying higher rates on goods that are or can be produced by their own people.

The industries of the United States have been built up under protective tariff laws. It is partly as a result of this that wages are higher and living conditions better here than in any other country. The rapid accumulation of capital, the disposition of investors to reinvest their income at home, and the magnificent industrial development resulting, are to no small degree due to our national protective tariff policy.

The world war made it plain to every-

body that ability to produce all of the prime necessities of life and of warfare is essential to national independence. Germany's wonderfully complete industrial organization, created under a scientifically administered system of protective tariffs, enabled her to support her enormous population and carry on the war for four years during which period she obtained hardly any supplies from outside. Free trade Britain found herself dependent upon other countries for food and a very long list of essentials from the outset, and only by keeping the lanes of shipping open was she able to continue in the war.

The country which is equipped to supply the ordinary requirements of its people from the farms, mines, mills and factories within its own borders is independent. It is not rendered helpless when revolutions occur in, or wars break out between, foreign countries, and it is able to provide for its own population and defend itself whenever it becomes involved in an international controversy. At such times it is neither obliged to depend upon ships nor to draw heavily upon its own capital supply to establish new industries. Foreigners are

not in a position to regulate the compensation or wages of its employers or employees.

Almost all academic economists are free traders. The reason for this surprising phenomenon has been sought and found. They give no thought to the law of demand and supply in its broader aspect when theorising upon the subject of international trade.

Economists reason it out that as sugar can be produced more cheaply from cane in Cuba and other tropical islands than from beets in California, Colorado or Utah, the people of the United States should obtain their sugar from the lands where cane grows, get it more cheaply and benefit by the difference in price. Apparently it never has occurred to them that if the manufacture of beet sugar were to be discontinued there would be a constant world shortage and that the fluctuating output would cause prices to average at least 50% higher than they did during the 10 years preceding the war.

In 1914, the last fiscal year before the war, 43% of the world's sugar was made from beets. Germany, Russia, Austria-Hungary and the United States were the largest producers in the

order named. In 20 years the production of beet sugar had increased 82% and of cane sugar 250%. The protective tariffs of the beet sugar producing countries clearly had not discouraged the growers of cane; they simply had maintained their beet sugar industries on a stable basis, and by doing so had made up what otherwise would have been a deficiency of supply and thus helped to keep the price of sugar low all over the world.

The same rule will hold in a great variety of other commodities. There are lots of things that can be produced in limited quantity at less expense abroad than in this country; but we have had satisfactory evidence recently that there is hardly any standard commodity that can be produced in sufficient abundance to supply world-wide needs, including our own, unless the productive facilities of the United States are kept going with the rest.

Even if it did add somewhat to the cost of living to build up home industries and produce the maximum of our necessities within the country, we ought to be glad to pay the price; but it is practically certain that our protective tariff has enabled us to buy almost everything,

year in and year out, for less than we should have had to pay if we had depended largely upon foreign sources of supply.

For many years we got our dyes from Germany at very low prices; but the average was raised to a pretty high level by the almost prohibitive prices paid during the earlier war period. Incidentally the tariff was reduced in 1913 on every one of the things in which a shortage developed in 1917. If protective tariffs had not assisted in building up its manufacturing enterprises and in developing its natural resources, America certainly would not have been able to play the important part it did in the recent war. Having the productive capacity and equipment, we helped feed and munition the allies from the outset.

As a matter of fact we never heard much if any complaint about the high cost of living during the long period of years in which this country was committed definitely to a protective tariff. That term was coined after the egregious blunder of the republicans, in framing the Payne-Aldrich tariff law made democratic success a practical certainty. Anticipation of a reduction in the tariff caused busi-

ness men to hesitate, the country's volume of production increased less rapidly, supply gradually fell off while demand continued to grow, — and we called it the high cost of living.

The consumer is interested in a large and continuous volume of output. He hopes there will be an oversupply. Nothing else exerts an equally strong influence to keep prices low. Therefore the consumer should not be willing to see anything done that will be likely to cut off a considerable portion of the world's production of any commodity of general use.

All will agree that we should produce enough of everything that can be produced here with reasonable success to supply home requirements. In order to assure this, home production must be made sufficiently profitable to interest capital and business genius continuously. No other means of maintaining and extending the domestic production of a long series of commodities has been discovered so far but a protective tariff.

Any given business either does offer sufficient profit in this country to invite capital or it does not. Unless it is made sufficiently profitable to produce a great variety of things

in the United States the facilities and the managemental organization for their production will not be supplied and built up to a high standard of efficiency. Of course a few makeshift substitutes will be turned out at times when shortage of supply sends prices so high that it becomes profitable to make them by hand labor; but that isn't business, it is simply a resort to primitive resources.

American wages always have been higher than those paid in any other country. Prices of some things have been higher also; but nowhere else in the world will the average wage paid buy as much as it will in the United States. No other working people are as well fed, clothed and housed or have the surplus cash with which to buy and enjoy as many comforts, pleasures and luxuries.

As a result of the exceptionally high standard of living that has been built up here, the United States has become the best market in which to sell in all the world. The fact that our exports almost always have exceeded our imports also has kept our exchange at a premium in foreign countries, which has served as a sort of premium to the foreigners who would sell us

goods. It is a valuable privilege to the foreign manufacturer who pays much lower wages, employs child labor and escapes many expenses that our manufacturers must pay, like liability insurance and factory inspection, to be able to send his surplus products into such a rich market, and those who advocate a protective tariff believe he should be obliged to pay for that privilege.

A system of tariffs that requires foreigners to pay our custom house collectors at least the difference between their cost of production and ours gives the products of American capital and labor first call on the home markets. Such a protective tariff does not prevent us from drawing on foreign sources of supply when for any reason we have a shortage or when our producers and merchants mark their prices too high, and experience has proved that it does not make it particularly difficult for us to sell our own surplus abroad.

Protectionists do not believe that the natural resources, the industries or the markets of this country should be developed for the benefit of foreigners. They believe that when we buy goods abroad the foreigner gets the equivalent

in goods or the money, but that when we buy the goods at home we get both the goods and the money.

Of course there are two kinds of protectionists, those who want a tariff so framed that they will be able to buy in an unprotected and sell in a protected market, and those who take the broader view that a protective tariff, by hastening and sustaining the upbuilding of the country and thus providing fuller and more continuous employment for labor at higher wages creates a domestic prosperity that adds to the enjoyments, privileges and opportunities of every individual in the country.

There are three kinds of free traders, first, those whose economic vision is so shortened that they can see nothing in the question beyond their desire for the privilege of buying in the cheapest markets; second, those who believe that America's capital resources, inventive genius and high efficiency will enable our business interests, while paying higher wages, to compete successfully with the rest of the world, and third, those academic free traders who look upon the high standard of living and wages established in this country as artificial

and who still cling to the obsolete theory that we should join in the struggle to capture the international trade of the world in order to find a market for our surplus products abroad.

In the chapter on Overproduction it has been explained that a means had been developed in this country before the war to market substantially all of our production at home. There were many products that we could and did export, in more than sufficient quantity to pay for everything we needed or cared to buy abroad. Instead of being obliged to keep wages low in order to build up and maintain a large volume of foreign trade, and to lend our capital abroad to extend it, as England and Germany did, we were developing our own markets and paying high wages in order that our working people might be able to purchase the produce of our own industry, and the production and general enjoyment of luxuries were taking up the slack.

Our industrial development was well balanced in its proportions, also. As a result of past monkeying with the tariff we didn't produce all of our wool, enough of our sugar or practically any of our dyes. We imported some of our metals, nickel and manganese be-

ing the most notable; but nickel can be produced so very much cheaper in Canada than from any considerable deposit of ore so far discovered in the United States that we hardly would be warranted in attempting to stimulate it by a tariff. All in all we were better equipped to stand having our imports shut off than any other great industrial country in the world.

The protective tariff party had been overthrown at the polls in 1912, however, and a low tariff law enacted in 1913. Business had begun going to the bad immediately, and by April or May, 1914, leading politicians of the low tariff party were vociferously calling upon state and national governments to appropriate money to irrigate arid wastes, clear cut-over timberlands and drain swamps, not because there was any shortage of cultivatable lands, but in order to provide work for the millions of idle men who were walking the streets in a vain search for the employment which they had voted away.

Foreign producers were taking possession of our markets, as the protectionists always had claimed they would. Though the exports of the United States previously had been exceeding imports by approximately $50,000,000 per

month, a complete change-about had occurred and we were importing more than we were exporting.

Something had been overlooked. It was the fact that unless a new foundation has been supplied before the old one is torn away the strongest structure will topple. Protection could have been abandoned without any disturbance whatever provided it had been preceded by very heavy reductions in wages all along the line. Neither wages nor costs had been reduced. Our producers were being undersold in our own markets. To operate at a loss meant bankruptcy. In some cases production was stopped and in others it was curtailed. Then the fact was brought home to us that labor doesn't draw down wages except when there is work for it to do. It came to be realized also that the ability of the working people to buy even cheap goods depends upon their having an opportunity to earn the price. The merchandise we were importing didn't give employment to American labor.

There had been another miscalculation also. The cost of living did not go down. First, enough foreign goods were sold here to stop

or check domestic production. Second, it developed that there was somewhat less than enough of these foreign goods to supply the American demand in full. Then prices advanced and in some cases they reached higher levels than those we previously had been paying for home products.

By specious argument the American people had been deceived. They had been told that not the foreign producer but the domestic consumer really pays the tariff duties in higher prices for the goods he buys, that ability to purchase the necessities of life in the cheapest of the world's markets would be of great benefit to American labor and that as the protective tariff was favored by many capitalists it should be opposed by wage earners.

Another argument of the low tariff party was that American producers sold their products abroad at lower prices than they charged for them at home. This claim was not without some foundation, and it never will be. The surplus product, that is ,the quantity of any special make of goods that may have been turned out in excess of the amount that the markets regularly served will absorb, always must be sold for what

it will bring, usually for less than cost, and it invariably is disposed of as far away as possible in order that it may not disturb the home market.

The manufacturer likes to run his plant at full capacity, because full capacity operations make for lower costs; and he endeavors by every means at his command to sell his entire product profitably, but is not always successful. Being human he sometimes makes mistakes of judgment. In any given year his goods may not come quite up to the required standard of popularity because he has erred in selecting a weave for his woolens, a print for his calicos, a style for his shoes, a container or wrapper for his package goods or effective methods of advertising and selling. He ends the year with a surplus on his hands. What should he do with it?

He doesn't shut down his factory, throw his help into idleness and wait for the market to absorb his surplus, and he doesn't take the chance of damaging the reputation of his product forever by offering such an accumulation to his regular customers at cut prices. He sends it abroad, sells it for what it will

bring, pockets his loss and tries to use better judgment the following year. He has tried to hide his mistake.

Americans traveling in foreign countries, however, run across such lots of goods, make purchases and tell the story when they get home. We ask no questions, but proceed to make a political issue out of this astonishing discovery. English and French manufacturers also sell their mistakes abroad, frequently in this country. They also are discovered; but their explanation never is doubted. It is, "In order to introduce them into the American market, we sold a large consignment for much less than cost." One hardly would expect the truth to be told about such transactions. To give publicity to your own blunders is not a human trait.

There is another reason why American merchandise sometimes is sold cheaper abroad than at home. It is the lower cost of retailing. Our purchasers demand a maximum of service from the retailer, get it and naturally pay for what they get. In most foreign countries customers pay cash over the counter and carry the goods home. Americans won't pa-

tronize stores conducted that way. They insist upon American standards of retail service and pay for them in higher prices.

Now about this statement that not the foreign producer but the domestic consumer really pays the duties. Let it be understood at the outset that there isn't any such thing as free trade. Great Britain is not a free trade country. To give support to its propaganda by which it has been endeavoring for generations to break down the protective tariff walls of other countries, however, the government takes great care not to lay any duty that possibly can be construed as protective. Its "tariff for revenue" is collected on goods that are not or cannot be produced at home.

Let us see what was happening while the voters in the United States were being taught to believe that the British system was much easier on the people than the American protective tariff policy.

During the last full year of a protective tariff, the one which ended June 30, 1913, the duties on imports collected at all the custom houses of the United States and Alaska amounted to $318,142,344. As the population

of the United States and Alaska then was 97,028,497, the customs collections per capital were $3.22.

During the last full year preceding the war, the 12 months of 1913, duties on imports collected at all the custom houses of the United Kingdom, namely, Great Britain and Ireland, were £32,045,194, equal in our money to $155,931,914. As the population of Great Britain and Ireland at that time was 45,221,219, the customs collections per capita were $3.23.

There certainly is a strong basis for the argument that the $3.22 per capita collected on imports to the United States was not paid, at least not wholly, by American consumers; but there is no possible basis for the claim that the $3.23 per capita collected by the United Kingdom was not paid by British and Irish consumers. To whatever extent our protective tariff was building up our enterprises, stimulating domestic business and keeping American labor employed at high wages it was better than the British system. Is it possible to think of any way in which the British system was better than ours?

Presumably somebody will declare that

the British system of tariffs helped England to build up her foreign trade. If so, the United States should fight shy of it. As we Americans are being induced to believe that we should emulate England and Germany, and give more attention to the development of foreign markets than to the nursing of our own it may be well to point out what British free trade and foreign trade have done for Ireland.

Ireland is an agricultural country. In order to stimulate its own foreign trade England for generations had been loaning its capital to backward countries all over the world. Of course it was necessary to buy as much as was sold, it being impossible for its foreign customers to pay in gold. As England's foreign investments grew she had to increase her foreign purchases, taking goods for interest in addition to goods for goods sold. She traded largely with backward, agricultural countries, and she brought home foodstuffs produced by the cheap labor of Asia and sold them in direct competition with the products of the Irish farmer.

Thus the Irish agriculturist was obliged to sell his crops in a market the price level of

which was regulated largely by the products of a 15-cents-a-day Asiatic labor; but he bought his clothing and shoes, farm implements and fuel at prices regulated by $2 and $3 labor. It is easy to understand why he left home and came to the United States; but it is difficult to comprehend why he has voted for free trade ever since he got here.

If Americans go crazy after foreign trade it will have the same effect on our farmers that it did on those of Ireland. After a few years we shall be obliged to depend largely upon foreigners for our food supplies. We must not allow ourselves to forget, however, that during the past 50 years our own home market has been worth more to American manufacturers than the entire external trade of Asia, Australia and Africa would have been even if they could have obtained it. A protectionist is one who believes in developing trade at home.

Chapter VI

WAGES

(Wages: Pay given for labor, usually manual or mechanical at short stated intervals, as distinguished from salaries or fees.)

It is possible for wages to be too low and also too high, for the working day to be too long and also too short.

The low wages paid in Japan and China, where living is very cheap, have been responsible in part for the relatively slow industrial progress of those countries. Their wages could not advance otherwise than very slowly, however, because of China's scarcity of capital. Where production and distribution are conducted by manual labor, without the aid of power machinery, labor's daily product isn't worth more than 50 or 60 cents.

In recent years, particularly during the period of the great war, Japan has been gaining very rapidly in her capital supply and Japanese

wages have advanced appreciably. Exceedingly low cost of production, made possible by the abundant supply of cheap and efficient labor, however, will enable Japanese and Chinese manufacturers to find a profitable market for their products in other countries, and for some years to come it will not be necessary for them to raise the home standard of living and create a domestic market.

When wages are too high, foreign products come in and supply enough of the demand to throw labor out of employment. In this way alone high wages hurt the employer by preventing him from doing business. It is only when factories are running continuously and at approximately full capacity that the owners realize good profits.

The moment a factory is closed down all business risks cease, however, and for this reason no owner will consent to pay such high wages and sell his products so low that his profits disappear altogether. Wages, whether high or low, must be included in the cost of the product or the service.

If the working day is too long the worker is deprived of "pep," and also of sufficient time

to play and spend his money. Fewer hours tend to elevate him and make him strive for a higher standard of living. This benefits the worker, the capitalist and the country.

Too short a working day, however, would fail to yield the big volume of production that is essential to a high standard of living for all the people. It might be possible in the United States to produce and distribute the bare necessities of life with a five-hour working day; but what would the workers do the remaining 19 hours with all the luxuries, entertainments and comforts abolished?

It is a fair estimate that five-ninths of the workers of the United States, in other than war times, supply the whole population with the actual necessities of life, while the rest produce and dispense all the other things, including tobacco, beer and chewing gum; trolleys, automobiles and bicycles; theatres, movies, baseball and circuses; millinery, "glad clothes," face powder and the many other diversions and embellishments of life.

Only a primary knowledge of mathematics is needed to figure that if five hours' work is required to supply the necessities, then a seven-

hour day would provide the people with only half as much in the way of desirable non-essentials — comforts, entertainments and luxuries, as a nine-hour day does.

The wage earner doesn't want a shorter day to get more rest, but in order that he may have more time for recreation and personal enjoyment. Capitalism can't give him both because it isn't yet within its power to do so. Necessities and the facilities for enjoyment must be produced and distributed, and the nine-hour day enables labor to get a great deal more of the things that make his life happy than seven or eight hours possibly could provide.

It is for the best interest of the wage earner that he do a good big day's work, aim to turn out a first-class product with as little waste as possible and help his employer make money. This is a flat contradiction of the labor agitator's teachings; but let us talk it over.

Such effort on the part of all the workers would result in a larger volume of output produced at a lower cost and sold at lower prices, hence decreased living expenses for the wage earners. Employers either would advance

wages or use their larger profits to expand their industries and to establish new enterprises, thus increasing the demand for labor.

Organized labor advocates collective bargaining. One of their illustrations is: "If there are more ditch-diggers than there are ditches to dig wages will decline; but the ditch-diggers by combining can establish and maintain a living level of wages."

Now take a look at the matter from the other standpoint. If the ditch-diggers do a good day's work and help make the digging of ditches a profitable enterprise for capitalists there soon will be more ditches to be dug than there are ditch-diggers. Then instead of a few ditch-diggers being obliged to remain idle all the time in order to keep the rest employed at satisfactory wages, all will have work and the excess demand for ditch-diggers will advance wages to a much higher level.

Everybody engaged in any given line of industry, whether owner, manager or employee, should realize that he is interested in keeping the cost of the product low. If it can be sold at a price that will enable it to compete successfully with its substitutes, the demand for it will

be constant and the enterprise never will have to shut down for the want of a market for its products. It is more tiresome to work slowly than rapidly, and certainly no honest man desires to be paid high wages when his conscience tells him he is not earning them.

Obsessed by the old and exploded theory that rapid work will bring overproduction and overproduction idleness, some of the labor leaders advise the members of their organization to work slowly, to put a low maximum limit on their daily output. Such limitations have been established in many trades, and the "full-train-crew" laws of several states are recognitions of the principle by legislatures.

This idea certainly must have originated in the infernal regions, because it is the most diabolical of all the evil ones that have been taught by the opponents of modern progress, prosperity and popular well-being. Every workingman who accepts this teaching becomes a party to a conspiracy to deprive himself and family of comforts, conveniences and luxuries that they otherwise could and would enjoy.

As has been pointed out in the chapter on

Overproduction, the surplus output provides us with all of our comforts, conveniences and luxuries and also pays the cost of industrial expansion. It builds the new mills, factories, railroads and other equipment that still further increase the productive capacity of the nation. Therefore, those who restrict or retard production by limitation of effort or by strikes stultify themselves and deprive the public of its due.

"Loaf on the job; work slow," are injunctions which in time might dull and destroy an hereditary trait which has exerted a stronger influence than anything else to enable the white race to dominate the world. Two illustrations follow.

If you hire the laziest man you know to cut wood for you at $10 a day and supply him with a dull ax, he will protest. It is no harder work to swing a dull ax, and the duller it is the longer his good job will last; but heredity has created in him a desire to achieve, to make his blows tell. Every one of his ancestors was forced by necessity to work for results. It is their influence that sends him to his employer with an ax to grind.

In the early days of the horse-car line a company was permitted to lay its tracks through a narrow street. It hired men to shovel the first heavy snow of winter off its rails. There was no other place to throw the snow but on the sidewalks. This detail had not been covered in the contract of the railway company with the city. Owners of property were required to keep the sidewalks in front of their buildings free of snow. They hired men to shovel the snow off the sidewalks and back it went on the railway tracks only to be thrown again on the sidewalks. In both cases the men were employed by the day or hour. Yet they fought. Even the police couldn't prevent them from fighting. Hereditary instinct prompted the blows.

This desire to achieve, to get results, is one of the best things we have got. Every attempt to impair it should be punished as a crime. Men often are headstrong enough to go on strike; but whenever they do they carry in their hearts a feeling that they are doing wrong, in their minds an admonition that they remain on the job and continue to pile up results.

Every strike reduces the nation's sum total

of production. Thus it both diminishes the amount of money there is to spend and decreases its purchasing power. It helps to throw farther away into the future the millenium that capitalism is creating for labor, when, in time of peace, there will be so much prosperity that there will be more good jobs open than there will be workingmen to fill them.

The point for the wage earner to keep in mind is that such things as governmental interference with business, bolshevik and socialistic agitation, persistent nagging of employers by the unions, the various idealistic brands of reform legislation, restriction of output, reductions of working hours and strikes all exert an influence to increase the proportion of his year's earnings that he must pay out for mere living expenses. The capitalist system is just as simple, after you understand it, as sawing wood, and if all the things enumerated above were put between you and the wood-pile you know it would take a much longer time to fill the box back of the kitchen range.

Capital is the only thing that ever did or ever can improve the condition of labor. And capital must be produced; it can neither be leg-

islated nor orated into existence. It follows, therefore, that the faster and more steadily the wage earner works the more rapid pace he is making toward that condition he so much desires, increasing compensation and decreasing cost of living.

Why don't the labor organizations get wise and demand a revival, so far as is possible, of the old piece-work system? They were not so much to blame for its practical abolition as the employers were. What the unions said about the employers cutting down the price per piece as fast as the workers increased their speed of production in many cases was more than half true.

Until recent years employers haven't known that it is good economy for them to pay a higher wage per unit for a 25 or 50% larger volume of output per man. It effects a big saving in overhead expenses. Less factory space, upkeep, superintendence, light, heat, etc., have to be paid for per unit of product. Why not compute this saving, offer 75% of it to the men as a consideration of their going on a piece-work schedule and then arrange that one-third of their share shall be divided each month among

the third of the men who have turned out the largest amount of work, as a bonus?

Introduce the elements of a game or of an athletic contest into the day's work. When improvements of system and better machinery are brought into play that will enable the men to produce still more rapidly, thus necessitating a reduction in the wage rate per piece, arrange the new rate on a 50-50 basis, giving the workers half the benefit accruing. After labor once comes to understand that it is just as much interested in a big volume of production as the employer is it should be possible to make piecework and compensation arrangements that will obliterate all thoughts of strikes.

The basis of trade unionism, what has come to be called collective bargaining, makes a strong appeal and great numbers of men who ought to know better are now giving the principle involved their indorsement. It ought to be clear that it doesn't add a nickel a year to the production of the country or increase in any way the value of the product. Instead, it is promotive of strikes which decrease the gross volume of output and advance the cost of living.

Through their organizations cigarmakers,

shoemakers, the men employed in the several branches of the building trade and various other groups, have been able to obtain for themselves materially higher wages than the vastly larger number of workers in all other occupations. As a result at least 90% of the wage earners of the country are obliged to pay tribute to these little labor trusts every time they buy a cigar or a pair of shoes, or rent a house or a flat.

The whole idea is wrong. If all labor was organized it simply would be a case of one trade trying to get ahead of the others. Strikes would be so frequent that they would reduce the volume of production disastrously and no matter how high wages might be raised the cost of living would rise much faster.

If striking were made a criminal offence, the individual would get a job and hold it on merit. The volume of production would be very much larger and the cost of living would drop to the lowest possible level. Elimination of the fear of labor troubles would attract capital to industry, resulting in a demand for labor that would cause wages to advance generally and in a manner that would be far more just to all concerned. Strikes don't take something from the capitalist

for the benefit of the wage earner; they interrupt and delay the activities of both to the detriment of all consumers.

An illustration of what comes from interference with the natural law that adjusts wages is furnished by the railroad labor situation at the present time. Director General McAdoo arbitrarily increased the wages of railroad employees by approximately $910,000,000 a year early in 1918. This advance followed several others and more recently has been added to, and at the present time railroad workers are receiving 117% higher wages than they were eight years ago.

In order to make it possible for the railroads to pay his immense increase in wages, freight rates were advanced 25 to 40% and passenger fares about 50%. Thus the burden was transferred directly to the shoulders of all the other workers of the country.

Increased cost of transportation added an average of $11 per capita or $55 a year per family to the general cost of living. There being about 40,000,000 workers in the country, it was a case of adding $29 a year to the expenses of 37,900,000 workers in order to advance the

wages of about 2,100,000 railroad employees an average of $600 a year per individual. In this case the many unquestionably have been made to suffer for the benefit of the few, because the immense increase in wages hasn't added a dollar to the country's production or in any way improved the transportation service.

All other wages could be advanced in proportion, provided the prices of everything first were increased as freight rates and passenger fares were; but after that was done the railroad employees would be no better off than they were before Mr. McAdoo decided to be generous to them with other people's money. They no longer would be able to buy cheap products, kept cheap by the relatively lower average wage paid to producers. Everything purchasable with money would be as high in proportion as railroad fares and freight rates.

But what would happen? Why, the products of other countries, of course, would come in and take the place of home products, and within a comparatively short time nearly all of the working people in the United States would be out of employment. By foolishly inflating the prices of everything in order to raise wages

we should have made this the highest market in the world, and the products of all foreign countries would come here as fast as the ships could bring them.

When advances in wages take something from one group of workers for the benefit of another group it is both injustice and bad practice. When they cut down the earnings of capital they slow up the country's industrial progress and reduce the demand for labor. When all discussions of wages, profits and reforms are abandoned capital is invested, business activity increases, the cost of living declines, labor is fully employed and wages tend to advance.

Chapter VII

BOLSHEVISM

Bolshevism is the name that has been given to the first partially successful attempt to establish socialism or communism as a form of government in a great country. One socialist will tell you with positiveness that bolshevism is not socialism, and another, with equal assurance, that it is. In the future it will be defined as the chaos, the confusion, the sweeping away of means of getting a living, that eventuate when socialists are permitted to have their way.

Socialism has been tried and tested under almost every conceivable condition and never has been a real success. Communities large and small, religious and non-religious, monogamous and promiscuous, with abundant financial backing and with none, have tried every known brand of socialism, and the socialist advocate of today points to no one of them with pride.

The incursions of the government into business, post offices, water supplies, sewers, schools, and here and there ownership of railroads, electric and gas lighting plants and street railways, may be spoken of properly as state socialism. The public school system is a success, first, because so many parents watch it constantly and, second, because it sells nothing and collects no money. It is not so much of a success as yet, however, that it has driven private schools out of business.

There are a few people who claim, and perhaps believe, that government ownership of railroads has been a success in one country or another; but all of the people who have investigated know better. Government owned railroads in Europe before the war were less substantially equipped, gave poorer service, charged very much higher rates, paid incomparably lower wages and were capitalized for 50 to 100% more per mile than the privately owned railroads of the United States. None of them paid taxes and only one or two earned the interest on the amount the governments had invested in them. If they were a success it was in some other respect than those noted.

Like the quack doctor, however, the socialists come back with the argument that the many failures of their remedy were not due to any lack of potency, but to the incorrect methods with which it has been applied. They claim that their schemes cannot succeed on a small scale, because of the necessity of competing with and patronizing capitalistic interests; but that when adopted universally it will create a heaven on earth and "give to the worker the full product of his labor."

If there were no other objection to socialism, its proposition that we virtually burn our bridges behind us, by surrendering our property and abandoning all chance of personally accumulating any more, and enter a new system from which there would be no retreat or escape except through revolution or starvation and death, would be sufficient to repel all men of normal reasoning powers.

Socialism stands for government ownership and operation of all means of production and distribution. The plan is, of course, for the government to confiscate the accumulations of the resourceful and the savings of the thrifty and thereafter divide all the products of indus-

try 50-50 among the geniuses and the numskulls, the energetic and the idolent, the industrious and the lazy.

There are so many more varieties of socialists than there are of pickles, however, that no direct or specific statement of their policies or plans is permitted to go unchallenged. They get together on such generalizations as brotherhood of man, co-operative commonwealth, industrial democracy, abolition of wage slavery, labor produces all wealth and is entitled to the wealth it produces, etc. Every socialist has his own plan to bring all these things about; but the history of the movement fails to record that as many as three socialists ever were known to be in complete agreement at one time.

In a general way they seem to agree that the accumulations of the thrifty should be stolen by the government for the benefit of the indigent. They would make the government a Robin Hood, to rob the rich and give to the poor. Nearly all of the leading socialists are atheists, bitter enemies of the church and all it stands for. Many of them advocate making woman the property of the state, which from their standpoint means common property, and

evidence has been presented to congress recently that the Russian bolshevists already are putting this theory into practice.

Under socialism the people would have to depend upon one central executive and managemental organization. If this proved incompetent and wasteful, as managements frequently do in all human affairs, the public would be compelled to endure a period of extreme suffering and privation while it was being reorganized, new plans perfected and put in operation.

In the industrial world it already is recognized that an enterprise may be too big to be managed and directed by a single human mind supported by a board of directors. There is nothing now in existence, however, that can be compared with the stupendous undertaking suggested of government ownership and direction of all the industries of a country like the United States. The recent aircraft fiasco, the shipbuilding mess and control of the railroads should have dispelled all previously existing theories as to the government's ability to conduct industrial undertakings.

If we had socialism and only one corporation of national scope, how would it be possible

to develop men to take charge when death or disability made a change necessary? Would the young man who had distinguished himself by correct judgment, resourcefulness and executive ability be well enough known to the public to command votes? Is it not possible that the man who by gift of oratory and eloquence was able best to recommend himself would secure the position regardless of his industrial ability?

The most vitally important matter that a socialist government would have to handle would be that of capital accumulation. A people must retrogress, stand still or progress. If labor received the full product of industry, and consumed it, retrogression naturally would ensue. Something more than upkeep would be required to enable a people to stand still industrially.

As all progress unquestionably depends upon a continuing and constantly increasing supply of surplus capital invested wisely in industrial equipment, it necessarily follows that the labor of each generation would be obliged to get along some way with considerably less than the total current product of industry in order that better equipment and a greater

amount of it be provided for the larger generation to follow.

Here in the United States under capitalism we are alleged to have $250,000,000,000 of wealth and about 40,000,000 of our people are said to be engaged in gainful occupations. This is $6,250 per worker. Eliminate $90,000,000,000 for land, forests and other wealth, and it appears that about $4,000 of invested capital exists for each worker. A considerable proportion of this has to be replaced two or three times during the lifetime of each generation, and almost all of it once. Therefore, in a country that is making rapid progress industrially, it apparently is necessary that at least $5,000 of surplus capital be produced and added to the common stock during the lifetime of the average worker.

Therefore, if the workers get an average of $833 annually for 30 years, or $25,000 for the work of a lifetime, under capitalism, they receive five-sixths of the produce of industry and captalists take the remaining sixth and reinvest it in enterprise. It probably would be nearer correct to say that the workers get ten-thirteenths, two-thirteenths go back into indus-

try and one-thirteenth pays for the luxuries and vanities of the capitalistic classes.

Socialist writers invariably have founded their arguments upon the false premise that as wealth accumulates poverty increases. They claim that capitalism is resolving the people into millionaires and paupers, into employers and wage slaves.

The exact opposite of such assertions is the truth. Nothing else diminishes poverty as capitalism does. The contrast it creates makes poverty more noticeable. Capitalism also makes extreme poverty such an exception that a case of it attracts much attention.

All of the earliest socialist writers declared that capitalism would eliminate the middle class, lead to the accumulation of all wealth in a few hands and eventually enslave the hand workers. From that time on to the present each succeeding generation has witnessed the middle class growing steadily more numerous and the hand workers more prosperous and independent. There are far larger numbers of men in the professions, of merchants, salaried men and home owners in the United States proportionate to the total population now than

ever before in the history of this or any other country, and it is here that we have the maximum of capitalism.

Socialists rarely quote statistics, and when they do they invariably quote them incorrectly. Men who are able to compute accurately from statistical data, and who are not so mentally lazy that they will not do so, are never found in the ranks of the socialists. A great many people have been converted from socialism by their own computations.

Any socialist who is willing to disillusion himself can do so by making a thorough and painstaking search for the immense amount of wealth that he and his brother socialist are in a habit of declaring the capitalists have taken away from labor. If he carries his search far enough, he will find that not more than 2% of this country's capital accumulations prior to the war had been invested abroad, that more than 90% of all interest, dividends and business profits were reinvested every year in machinery, equipment and facilities designed to increase and expedite production and distribution, that of all the benefit accruing from such investments the workers received at least

three-fourths, and also that the wage earner not only gets the full product of his labor, but a very large share of the vastly greater amount that invention, managemental genius and capital have added to the productivity of industry.

It would be impossible to demonstrate by figures or to prove by argument and evidence that the working people would be anywhere nearly as well off as they are now if the government did own all of the wealth and capital of the country. Not a single case can be pointed to in the world or its history where business or anything else is or was managed as efficiently by government as by private owners.

Excepting the few thieves who get away, all of the people who use capital, whether privately or publicly owned, must pay for the use of it. The facilities of production and distribution which capitalists own are used by the public just as they would be if owned by the government, and the expense of using privately owned capital is much less.

Some of the popular writers on socialism have pictured an ideal state in which every known device for eliminating manual labor would be employed. The cities would be so

laid out that all service would be rendered by skilfully devised mechanical contrivances.

In the agricultural districts cities would be built in which the farmers and their families would live and enjoy urban conveniences while they cultivated surrounding lands. Their plans indicate that all existing institutions and facilities would be razed to make place for the very much better and more efficient industrial system that socialists conceive.

Presumably every one of these socialist writers has overlooked or ignored the fact that the creation of such conveniences, systems and establishments would represent the accumulation and expenditures in the United States alone of hundreds of billions of dollars, and that, if every able-bodied man and woman of the total population were to work 12 hours daily and be content with the bare necessities of life, more than 25 years would be needed to create the required amount of excess capital, to make and work out the plans and bring this ideal labor saving scheme to perfection.

If socialists are sufficiently zealous for their ideal to undergo such privations for its realization one would expect them to take pos-

session of some uncharted area in South America or Africa and there create capital and build up a social and industrial system according to their own liking.

Honest socialists have tried it repeatedly. In Paraguay a colony started with a vast area of exceptionally fertile land and an immense amount of money and failed in a surprisingly short period. Several of the individual members of that colony afterwards took up farms in the vicinity, bucked the game with capitalism and grew quite wealthy.

Bolshevists and socialists have no ambition to produce or create capital. It is their plan to take what others have produced and accumulated with the least possible risk to themselves. When the government robs the rich, the socialists want to be the government. Thus they will be immune from arrest and punishment. They want to take over business successes, not failures; crops that have been harvested, not ground to be cleared and planted; mines that are yielding riches, not those in which no ore was found.

Do socialists dislike capitalism? Do they emigrate from Europe to any other than capi-

talistic countries? Have you noted any general and growing exodus of socialists from this country bound for Russia?

The progress of civilization has been retarded in all ages by the uncontrollable desire of many people to acquire capital without working for and saving it. Socialism is the organized expression of such a desire. It is starving the aged people and babies of Russia today. If we arrest and imprison the man we find prowling around at night with a kit of burglar's tools and carrying concealed weapons, why should we treat socialists and bolshevists differently?

The parlor socialist should not be permitted to deceive us with the claim that socialism is mild and generous, gentle and loving. Marx, Engles and all of the other patron saints of socialism not only have justified in their writings but have specifically recommended every one of the outrages that now are being perpetrated in Russia. Get their books and you will find it in cold type.

Germany plunged into state socialism up to her neck. She owned the railroads, telegraphs, telephones, many of the mines and in-

numerable public utilities. From the moment she embarked upon that policy her government became more and more autocratic every day. The state was everything and the individual nothing. Even the socialists didn't like it and strove constantly to overthrow the government. That which has happened to Germany was largely the result of her flirtation with state socialism.

Capitalism gives you an opportunity to make a success of your life in your own good way. It doesn't take you up and lug you; and any system of society that does will carry you for the most part where you don't care to go. Socialism and paternalism are worse kinds of autocracy than the plain kind that travels under its right name.

Chapter VIII

DISCONTENT

After all his arguments have been answered and all his theories demolished, the last question an academic socialist or bolshevist asks is: "How do you account for the discontent of the working classes and what will you do to relieve it?"

No one will question that large numbers of wage earners are afflicted with the spirit of discontent. The numerous semi-revolutionary societies, made up largely of people of foreign birth or parentage, but containing a fair sprinkling of Americans, are proof of it. Other evidence is to be seen in labor parades and the banners carried, in frequent strikes and occasional riots, and in the big demand for socialist leaflets and yellow journals that malign and abuse the wealthy and successful.

Monotony, mental idleness, misinforma-

tion and neglected opportunities are to be blamed chiefly for this chronic discontent.

Division of labor has been carried to the point where millions do the same things over and over again days, weeks and years. Since piece-work has been largely abolished it is monotonous drudgery and no longer a game. The employee sits or stands at his machine and does his work automatically, obliged to stay and go through those motions until closing time and so on until pay day. No mental effort is called for, and his mind is idle, or occupied with the things he read last night in Ratsbane's editorial column or heard an agitator say from a soap-box on the street corner.

"The devil finds evil work for idle hands (and also for idle minds) to do."

Both the academic and rough-neck socialists, and bolshevists, and also many social science workers, teach these discontented people, through personal conversation, periodicals, tons of pamphlets and inexhaustible floods of oratory, that labor gets only 35% of the product of industry and that capital takes the other 65%. The iteration and reiteration of these figures, and the infrequency with which anybody takes

the trouble to contradict them, finally cause them to be accepted as truth.

The average workingman is not, of course, an expert at figures, and when he is shown government documents which state that "value added by manufacture" is 35%, and annual reports of the corporation that employs him in which the item "wages paid" is about 35% of gross sales, he thinks he has seen double confirmation and is convinced.

Nobody ever takes the trouble to explain to working people that 90% or more of the cost of a manufacturer's raw materials, including cotton, wool, leather, metals, coal, oil and a hundred other things, is wages.

"Value added by manufacture" is only the difference between the cost of the raw materials and the finished products ready for sale. Out of this 35%, or it may be 70%, the manufacturer pays for power, makes up his rent and taxes, provides for a great variety of supplies, for wear, accidents, depreciation and obsolescence, compensates the management, office and selling force, and endeavors to earn interest on the capital invested and a profit besides. He has a tremendous job on his hands whether he suc-

ceeds or not; but nobody seems to be interested in the reasons for the restless discontent of employers. There is a foolish notion generally entertained that they are the happiest and most contented men in all the world, and that no matter how badly they are treated they will keep coming in multitudes and investing their money.

Neglected opportunities are responsible for more of the discontent that exists among working people than anything else. As this is being written on Lincoln's birthday it seems fitting to draw a comparison. Whereas the young man of the present day who thinks he is bright spends his evenings standing on a soap-box disseminating misinformation, Lincoln spent his evenings sitting on a soap-box filling his own mind with reliable and useful information.

The workingman of today has an incomparably better opportunity to educate himself than Lincoln did. Lincoln walked many miles to borrow a book. Now there is a library and reading room almost on the next block, evening schools in nearly all the cities and innumerable other facilities for education.

Ask the boss. He will tell you that he experiences the greatest difficulty in finding com-

petent men for foremen and the higher and more responsible positions. A wage earner who studies the business in which he is employed, learns all he can from contact with the work and familiarizes himself with everything that has been printed in books, uses his evenings to get a good English and mathematical education, and adds to this a course in mechanics, engineering, chemstry or such other science as will help him in his chosen calling, is reasonably certain to make a success.

Workingmen used to do these things. Very few of them do so now. It is because the agitators and union leaders teach them that their position in life should be that of a discontented workman who antagonizes the employer and says disagreeable things about the boss after he passes and before he is out of hearing. Is it any wonder that men so lacking in sound judgment and so neglectful of their opportunities should be discontented?

Style is responsible for much of the popular discontent. The wives and daughters of the wealthy often carry their style campaigns much too far. While there is no question that everybody has a perfect right to spend his money

as he likes, a right which should not be abridged, it hardly seems good diplomacy or religion to flaunt forever in the faces of our neighbors the fact that we are able to have things that are very much more costly than they can hope to have. None of us would think of such a thing as twitting another of his poverty. Don't we do it constantly in the realm of style?

A diamond is merely a pretty and stylish gem. Possibly wealthy women don't realize that they are responsible for the fact that the wives of wage earners crave diamonds. Any diamond merchant will tell you that war wages created an unprecedented and overwhelming demand for $50 to $100 stones, that he sold more diamonds in 1918 than in any previous year. Folly, to be sure; but it suggests the possibility that wants breed more discontent than do needs.

The seller of wildcat stocks is a breeder of discontent. Wage earners buy tens of millions of his worthless pieces of paper every year. They have no way of discriminating between companies that are organized to engage legitimately in business and those that are created simply that unscrupulous promoters may use

their shares to separate people from their money.

The leading banking and brokerage interests should provide facilities to handle speculative and investment accounts for wage earners. It is done abroad and can be here. It would be good business to help the man of small means to get a run for his money, to interest him in the shares and bonds of legitimate and honestly managed corporations.

War savings stamps should be made the nucleus of a great thrift campaign. The wage earner should be taught the importance and the advantage of saving. He should be furnished with information as to what his money that he has deposited in the savings bank does to earn the interest that is paid him.

It is a mistake to assume that the workingman is incapable of understanding the intricacies of business and finance. Given a chance, he will learn quickly. Nearly all of the ultra-conservative men are wage earners. Not a few of them are wage earners for no other reason than that they always have been too conservative to take chances.

The strongest impulse of the normal man is

his ambition. Trade unionism teaches the worker to restrain it, to reduce his pace and demand a standard wage. Sooner or later the man's human nature must react in dissatisfaction. Man is created to strive competitively, as all other things having life are. Capitalism encourages such competition. Organized labor discourages it, however, and short-sighted people blame capitalism for the dissatisfaction which this repression creates.

Chapter IX

PROFIT AND INTEREST

Profit is the reward of those who take a chance and win — of those who stake their capital wisely, courageously and fortunately on the outcome of a business undertaking and stay with it until it is a success. It also is the reward of superior judgment, resourcefulness and efficiency.

Interest is compensation for the use of capital. It is the chief inducement which is held out to all classes of people to encourage them to strive, practice self-denial and save.

Profits and interest, together with savings, make up the yearly crop of new capital, which in importance is second only to the food crop. Food keeps people alive, and the growing supply of capital speeds them on their way to achievement, higher standards of living and the enjoyment of more leisure, comforts and pleasures. Capital is the foundation of practically

all progress. Its steady accumulation and efficient employment is tearing people away from savagery and poverty and steadily helping them up to a higher and better civilization.

It is estimated that at least 90% of each year's crop of profits and interest is reinvested in industry where it serves and benefits the whole people. All that business men and investors take is enough to defray their living-ing expenses and to pay for their luxuries and pleasures. If the rich lived like the working people and all the money they now spend for luxuries were divided, it would add only a few cents per day to the pay of the wage earners.

If power-driven machinery, railroads, railways, ships, modern homes and the multitude of other things that distinguish civilization from barbarism have made the world a better place to live in, profits, interest and savings must be given the credit for it. If the son of an American workingman enjoys greater and better opportunities than the son of a Chinee or an African savage, then we must thank capitalism for increasing the opportunities of the average man.

Nobody ever thinks of a workingman as a

profit taker. Yet that portion of his wages above the amount required to pay for his bare living necessities clearly is profit.

The difference between profit and interest is so little understood that it may be well to illustrate. If Brown & Smith, having $1,000,000, use this capital to engage in the shoe manufacturing business and make $100,000 a year, what is their profit?

Of course they are entitled to 6% interest on their capital, which would be $60,000. Is the remaining $40,000 profit, or is it the salary or wages of Mr. Smith and Mr. Brown? It is possible that either or both of them could have hired out for $20,000 a year. They unquestionably could have invested their money at 6% in a less hazardous business than shoe manufacturing.

If we look further into the affairs of Brown & Smith we probably shall find that they operated the first year at a loss of $40,000, broke even the second, made $30,000 the third, $60,000 the fourth, and that the $100,000 was not realized until their fifth year in business.

Are they not entitled to compound interest

on their $1,000,000 of capital for the first three or four years, also on the $40,000 they lost while establishing themselves? If they add that loss and that compound interest to their capital, shall we say that they have watered their stock? Otherwise, it clearly appears that they still are "in the hole" at the end of five years.

Suppose Brown & Smith had organized a corporation with their $1,000,000 of capital, drawn out their salaries each year and allowed the remainder of their income, both profit and interest, to go back into the business — for working capital, to pay for additional factory capacity, advertising, selling facilities, etc.,— and at the end of 10 years had increased their investment thus to $3,000,000. If they then began paying dividends at the rate of 18% annually on their million dollar capitalization, they would be accused of making undue profits; wouldn't they? Yet 18% on their original capitalization would be only 6% on the total amount invested in their business, or interest only, not profit at all.

There are a lot of big corporations in this country whose remarkably high dividend rates are to be accounted for in this way. For many

years they put both interest and profits back into the business and never added the money thus invested to capitalization. If all net earnings had been paid out as interest and profits from the beginning and then used to finance additional corporations to engage in the same business, and owned by the same men, there would have been no comment, even though the aggregate dividends paid by the whole flock of corporations greatly exceeded the payments of the one which invited public condemnation by failing to add a few ciphers to its capitalization.

Another thing that is not understood generally is how it is possible for the merchant who sells the same kind of goods at lower prices than his neighbor charges to make more money. Where there is sufficient patronage available a hustling merchant may get himself into a position of advantage by cutting his own profits in two. If he can turn his capital over five times a year, make 4% each time and earn 20%, he is better off than his competitor who does only twice as much gross business as he has capital, at a profit on each turn-over of 8%, and earns 16% annually. Of course the latter must take from his customers on each individual sale

double the amount of net profit that the former does.

Nearly all big profits are matters of chance, almost of accident. In some unexpected development a corporation suddenly finds an immense demand either for its own goods or for something so closely related that its facilities lend themselves readily to its manufacture. As it often is expressed, "things break right" and an avalanche of profit comes sweeping down.

There isn't a business manager or any other official who can estimate with any degree of accuracy in January what his corporation's profits will be for the year. For illustration, The Federal Reserve Bank of New York, a government institution which is expected to earn 7% or less, actually earned 109% on its capital in 1918. It was a case of things happening to break right for that particular bank that year.

It is the greatest mistake imaginable for the government to attempt to regulate the profits of the business enterprises of its citizens. Regulation stunts the growth of business. By making enterprise less attractive it

tends to prevent the normal number of competitors from entering the field and thus brings into existence a sort of monopoly that cannot be controlled by law; because in this case the limitation of output which causes prices to advance to abnormally high levels is not the result of a trust agreement but of a fear which the government has created.

Big profits encourage business expansion, which in itself is competition. They also supply the capital to finance the expansion and competition. The money which started and built up most of the competitors of United States Steel, Standard Oil and many other highly successful corporations, was made up largely of their own dividends and of profits accruing through the appreciation in the prices of their shares.

Everybody who is opposed to trusts and monopolies necessarily must be in favor of more industrial enterprises. As they increase in number they enlarge the volume of output and tend to cheapen the product. Of course they add greatly to the demand for labor and thus exert an influence to maintain or advance wages. Profit is the only thing that ever caused

industrial upbuilding and expansion. When a big profit appears, it should be welcomed and applauded, because it invariably sets things in motion that are beneficial to all of the people.

Chapter X

THE CORPORATION

Without going into history, attention will be given here to the industrial corporation, the form of stock company in which the public is intimately interested and with which it is most familiar. The corporation is a legalized entity by means of which many individuals can combine to finance and conduct a larger business undertaking than any one man or partnership would care to engage in alone.

Nearly all of the country's big industries have been developed and are owned by corporations. Although condemned by agitators and heckled by cheap politicians, the corporation is the closest approach to democracy that so far has been found practicable in business. It opens up the opportunity to individuals of moderate means to participate in the upbuilding and to share in the profits of the largest and most successful industrial enterprises.

That the people have availed themselves of such opportunities in a very large way is proved by the fact that approximately 135,000 people own the stock of the American Telephone company, while the Pennsylvania railroad has 106,107 stockholders and the United States Steel corporation more than 100,000. It is conservatively estimated that at least 10,000,000 people are owners, directly and indirectly, of this country's railroad, industrial and mining enterprises. The theory that they are owned in "Wall Street" is all wrong; Wall Street is only the principal one of three or four distributing centers for securities.

With the exception of banking institutions nearly all corporations in this country are of limited liability. This means that the owner of their shares has no personal liability for the corporation's debts or acts beyond the amount of money he already has paid in. As a result a corporation must be made sufficiently strong financially to establish a credit of its own. Of course the limited liability feature adds to the investment attractiveness of corporation shares and thus facilitates the financing of enterprises.

Although corporations cannot be arrested

and put in jail, or be hanged or electrocuted, it does not necessarily follow that they have any more rights under the law than the corner druggist or grocer. Every misdemeanor committed by a corporation readily can be traced to one of its officials or employees. Connection with the corporation in no way shields the individual from punishment.

For the foregoing reason, and for many others, all of the business regulative legislation enacted in recent years was based on a misconception. If there aren't enough criminal laws make more of them and use them to correct any and all of the abuses that grow up in the realm of corporate activities. Governmental regulation of corporations is the greatest mistake imaginable, because it is costing the people millions in expenses and billions in restriction of industrial growth and business activity.

Chapter XI

WALL STREET

The theory that profits represent just so much money or capital stolen from the public, and that corporations are organizations formed to facilitate such robbery, is responsible for the disposition to condemn Wall street and the stock exchanges.

It has been shown already that if every service were rendered at cost there would be no surplus with which to extend and expand the country's industrial equipment and facilities, and that necessarily profits are used for this purpose to the great and lasting benefit of the whole community.

New industries must be financed, and often it is desirable to expand those already established.

The average person who makes profits or

saves from his income is not sufficiently well informed concerning the progress of industry, the development of operating efficiency, the growth of public needs and desires and the ability of individuals to supply them, so that he is competent to invest his surplus wisely. It is greatly to his advantage to be able to consult experts who devote their entire time to the study of values and also to have the benefit of a public market in which prices are made by competitive buying and selling. These are supplied by the big investment banking and underwriting firms, which have their headquarters in the financial centers, and by the stock exchanges.

To make a success of the stock brokerage and investment business one must possess exceptional ability and be scrupulously honest. He must be a most painstaking and tireless student of values, and have capital and the courage to risk it on the result of his investigations.

The quite prevalent belief that underwriters and brokers float and recommend the purchase of those securities which yield them the largest profits and commissions is correct only so far as it applies to those fly-by-night promoters of wildcat companies whose busi-

ness it is to prey upon people's ignorance by issuing certificates of capitalization against impracticable schemes and valueless properties and using them to obtain money under false pretences.

Those underwriting bankers and brokers who are members of the leading exchanges and associations probably devote the greater portion of all their energies to the work of discouraging unwarranted financing and of preventing people with money from investing it unwisely, and for such efforts they do not receive one cent of income. Their success depends wholly upon their ability to select good, substantial and profitable enterprises into which their clients may put their money. The brokers and underwriters who fail to do this soon lose their clients, waste their capital resources and are forced to retire from business.

A clientele that is making good profits, obtaining regular interest payments and dividends on its investments, and whose securities are tending to appreciate, forms the best asset that an underwriting or brokerage firm possibly can possess.

This fact, of course, is self-evident, and it is

a conclusive answer to the claims which frequently are made that some of our great underwriting firms have robbed the corporations for which they are the financial agents. It is the first requirement of the underwriting banking house that it will do everything within its power to build up the earning capacity and to maintain the stability of the enterprises behind the securities it sells.

The underwriting bankers often perform a valuable public service by restraining the corporations they finance from making excessive issues of securities. Unless the corporation can show the underwriters conclusively that the new capital they wish to raise is needed and can be used profitably for the benefit of the company, the underwriters refuse to market the proposed issue, and thus they exert an influence to prevent that over-expansion which would be dangerous.

The stock exchanges, on which millions of shares and bonds are bought and sold daily, provide open markets in which securities are obliged to stand upon their merits. If a company is not over-capitalized, is well managed and so conducted that it can meet and withstand com-

petition, its securities advance and sell in some cases many times above par.

If the stock exchanges were abolished capital would be made less liquid and the great insurance companies, for example, often would be unable to sell their investments and make prompt payments for heavy losses by the insured.

Investors throughout the whole country would be deprived of that most valuable source of reliable information as to the market value of investments which is furnished them by the record of stock and bond transactions published daily in the press.

There is no other line of business in which the commission charge is anything like as low as it is in stock and bond brokerage. The commission for buying and selling 100 shares of stock having a value of $1,000 to $20,000 is $25, and this charge is divided between the buyer and the seller. Real estate and commodity brokers charge many times this rate of commission for turning over property or commodities of equal value.

It must be seen, therefore, that to abolish the stock exchanges would be to increase the ex-

pense and cost of buying and selling securities and that it would increase very greatly the opportunities for the practice of fraud.

Speculation is not to be deplored. It is probable that 90% of all the capital saved and invested represents an effort on the part of the man who saves and invests to obtain profit through appreciation in value of the commodities, property or securities he buys. Speculation, therefore, promotes saving and it is the most powerful of all agencies that operate to increase and expand industrial development.

Thousands of people, yes, hundreds of thousands, own Standard Oil, Telephone, Calumet & Hecla, Utah Copper, Anaconda, United States Steel, American Tobacco, and other shares at present highly valuable, which they bought years ago at very low prices, and the price appreciation and dividends of which have made them comfortably rich.

If these companies did not have many thousands of stockholders there might appear to be some real ground for the claims of socialistic reformers that the wealth of the country is concentrated in a few hands.

The stocks and bonds of the successful

dividend paying corporations of this country are owned by between 8,000,000 and 10,000,000 people, and 15,000,000 to 30,000,000 more indirectly are owners through their savings bank deposits and life insurance policies.

Chapter XII

MONEY

Money is not capital; but gold, the currency basis of all highly civilized nations, is. Money is the medium or instrument of exchange, the certificate of capital delivered or service rendered.

As paper notes and subsidiary currency are redeemable in gold, which is accepted at full and equal value in all of the world's markets, money thereby is made a measure of value. Thus, we speak of a man being worth a million dollars, and the various departments of government assess taxes on the basis of money value.

One of the most common mistakes of students of economics is to confound money with capital. The greenback agitation and later the free silver campaign both had this error for their basis. While they were being fought out the country lost billions through the partial

prostration of business. Yet the advocates of those theories did some remarkably clear and accurate thinking, as precisely what they declared an increase in the money volume would do, an increase in the capital volume will do.

If we were obliged to decide whether all the money in the United States, or foodstuffs, cotton, wool, leather and other capital goods of equal value, should be destroyed by fire or be lost in the ocean, we naturally would direct that the money be sacrificed and the capital saved. With all the money gone the people might find some way to get along; but with all of the capital wiped out substantially all of the people would die of hunger and exposure.

By increasing the supply of money unduly its purchasing power is decreased. This causes both the cost and the price of everything to rise. It robs creditors, but brings about such disorganization of business that debtors rarely are benefited materially. We are experiencing such a condition now, there being about $56 per capita in circulation, as compared with $34 a dozen years ago. Cost of living is thought to be excessively high; it has become necessary to advance all fixed prices, including street-car fares;

there is a shortage of housing facilities and rents are rising, yet nobody will build, and the unemployment of labor is increasing at an alarming rate. While these conditions are not due wholly to inflation of the currency, they exist in spite of it.

In periods of great industrial prosperity and business activity money moves about more rapidly and its functions are supplemented largely by credit. An immense volume of business can be conducted with a comparatively small amount of money, though the increasing payroll exerts a stronger influence than any other factor to make money scarce.

Money panics have their origin in fear. There are so many people who cannot stand prosperity, who become envious of those who are alleged to be making large profits, that their agitation eggs the politicians on to take an attitude which threatens property rights. This shatters confidence, impairs credit, brings an undue strain to bear upon the money volume and the panic follows. Money hoarding is as often a cause as a result of panics.

Volumes have been written and more are being written to prove that gold is not a prop-

er or a scientific basis for money. Undoubtedly it has its shortcomings like everything else that man has created; but who can demonstrate to all the people of the world that he has something better? There is nothing else that will be accepted without question or demur in settlement of international trade balances. It will be necessary, therefore, to prove conclusively that gold is wholly unfit, and nobody seems able to find any more than inconsequential faults with it. Some years ago it was claimed that gold should be demonetized because there wasn't enough of it, more recently it has been condemned on the ground there is too much of it.

Gold measures up more nearly to the ideal currency than anything else that so far has been suggested. It fits readily into international transactions, makes possible an exchange of products with every country and can be loaned or borrowed internationally when necessities arise. One of the many reasons why we should discontinue advocating the abandonment of the gold standard is the fact that the attempt to do it would bring about business unsettlement in every commercial center in the world, with incalculable losses to industry and labor.

Chapter XIII

TAXATION

The best interest of the people being served by the rapid growth and improvement of productive machinery and equipment it naturally follows that taxation should be so arranged as to bear lightly upon essential business enterprises. Protective tariff taxation gives encouragement to industry and therefore is of prime importance. Other taxes should be so laid as to quicken enterprise, strengthen investment confidence and discourage too lavish expenditures for luxuries.

Taxation of business profits, individual incomes and inheritances is the worst system that possibly could be devised. These taxes are the very essence of socialism, as they penalize enterprise, efficiency, resourcefulness and thrift, the idea upon which they are based being to

take from those who have earned and accumulated for the benefit of those who have not. The progressive or graduated feature, by which profits, incomes and inheritances pay higher percentages of taxation proportionate to their size, is in effect a declaration to the business genius that the nation doesn't want him to continue striving after he has accumulated a modest competence.

If we are interested in building up the country, if we are capable of realizing that a great number and variety of industries having the most highly perfected equipment and best possible management are of immense advantage to the nation and its people, if it is our desire that America maintain the foremost position industrially and continue to go ahead we should make sure that there is nothing in our system of taxation or in any of our other laws which is a threat to capital and business enterprise.

The wonderful industrial advancement of the United States during the past 100 years was due to the unqualifiedly cordial recognition of the right of the individual to his property, the assurance that the government would police it, discountenance every move toward confiscation

and give the owner the fullest latitude of freedom in the use of his property.

The several earlier amendments to the Constitution had in view the further recognition of the rights of the individual to his personal liberty and his property. Adoption of the principle of protection in the early tariff laws, for the avowed purpose of encouraging industrial development within the United States, was another act that conveyed to the capitalists of the whole world assurance that this was to be the best and safest country in which to invest in industrial enterprises. By giving capital a square deal the industrial advancement of this country became so rapid as to astonish the world.

Envy of financial and business success has impressed itself on our national legislation in recent years and has been especially noticeable in the changes made in taxation. The mistaken notion has prevailed that profit is something that is taken away from the public, withdrawn from industry and used exclusively for the benefit of the profit taker. There has been a most astonishing inability on the part of the people to understand and appreciate the vital necessity of business being profitable when

properly conducted, and the highly important part that profits play in building up the country's industries. Lack of this understanding was responsible for the amendment to the Constitution which made it legal to levy taxes on incomes.

From the standpoint of practical economics the objection to taxation of incomes, profits and inheritances is that it cuts down severely the annual crop of new capital. By reducing the amount available each year for industrial expansion and upbuilding the progress of the country is retarded to the disadvantage of all the people. Business is less brisk and the demand for labor smaller than it otherwise would be, and there is a diminishing increase in the ability to enlarge the nation's volume of production per capita.

About one-half of the national expenses should be defrayed by taxes on imports. All of the additional revenue required should be raised by taxes on luxuries and pleasures. The rich man should pay a tax to the national government on his palatial residence, his automobiles, yachts, expensive raiment, jewels, rugs and pictures. In exactly the same proportion

the poorer people should be taxed on theatre and show tickets and all the other luxuries and expensive pleasures in which they indulge. The effect of this would be to relieve essential industries of the greater portion of their burden of taxation and thereby to reduce the cost of living of those unable to indulge in luxuries.

It is desirable that all classes of people be required to pay a portion of the taxes required to support the national government, to the end that every citizen may be interested in curbing wasteful governmental expenditures. In recent years the government of the United States has grown to tremendous proportions, and tens of thousands of employees are supported now that contribute nothing to the general welfare. They are a burden upon industry. The high cost of government is an important factor in the high cost of living.

Ability to get into office by railing against the rich and ability to retain office by persecuting big and successful business enterprises is building up in this country a political caste which is more dangerous even than a military caste. It fattens upon the excessives taxation of the industries that are the backbone of the

country's greatness, and by its pernicious activities it is exerting an influence to drive American capital and business genius to foreign lands.

Chapter XIV

LUXURIES

In a preceding chapter it was pointed out that previous to the great war capitalism had developed a condition in this country that made a quite general indulgence in luxuries of considerable economic value. Approximately two-fifths of the working people were employed in the production and distribution of luxuries, including entertainments and pleasures, and the great bulk of their output was absorbed by the wage earners and farmers.

The deluge of luxuries with which the country was then being visited frightened many economists, and undoubtedly was largely responsible for the advancing cost of living; but it nevertheless gave industry balance, prevented an overproduction of the essential things, created a home market for all domestic products, made the work of building up foreign markets unnecessary, and kept labor con-

stantly employed while it was enjoying a higher standard of living than wage earners ever did anywhere else in the world.

Labor's millenium was arriving; but the the working people didn't recognize it, and allowed themselves to be enticed away to the worship of false gods. Too many of them gave their votes to the free trade party, which opened the country's markets to the products of foreign cheap labor, and early in 1914 approximately 3,000,000 wage earners were walking the streets in search of the employment that they had voted away.

The future undoubtedly will demonstrate that American workingmen possess sufficient brains so that they comprehend fully the lesson of 1914. If their prejudice against capitalism can be removed and they will see to it that the government lets business alone, ceases to hector, heckle and regulate it politically, thus making the United States the most attractive of all countries to the investors, manufacturers and merchants of the world, the working people again will be able to enjoy continuous employment and to indulge in luxuries to a greater extent than ever.

No one, of course, should make the mistake of thinking he is contributing to the public welfare when he plunges into the luxury habit beyond his depth. There always is a grave danger of spending too much of the annual income for luxuries. This applies to the government, the nation as a whole and the individual. A constantly growing volume of essentials production always is of first importance. Therefore it is the duty of every American to save a portion of his income every year and bank or invest it, as it never ceases to be necessary to add something more to the fund that increases and improves the country's industrial machinery, transportation equipment and housing facilities. Nobody, therefore, should buy luxuries on the installment plan or devote his entire surplus earnings to pleasures.

It must be understood that the popular enjoyment of luxuries depends upon and is regulated by the country's volume of production. There always is more danger of underproduction than of overproduction. A surplus can be sold abroad with gain, but a shortage makes prices high and necessitates purchases abroad with resulting loss of national capital.

An excessive indulgence in luxuries draws too many workers away from the ranks of the necessity producers and tends to bring about a sharp advance in the cost of living. This condition is corrected in time, however, by the law of demand and supply reducing the number of jobs in luxury lines and increasing the call for workers from the producers of necessities.

It should require no extraordinary intelligence to understand and appreciate that reductions in the hours of work necessarily must restrict the working people to some extent in their enjoyment of luxuries. Loafing on the job and strikes have the same effect. Things must be produced or the public cannot have them. As necessities come first, everything that decreases or restricts the volume of output increases the number of workers that must be employed in the production and distribution of necessities and thereby reduces the size of the army that provides us with luxuries, comforts and pleasures.

In this time and country of machine production, when nearly all of the heavy work is done by mechanical power, nine hours' em-

ployment daily is not unduly exhausting. A few generations back, when there was no power but muscle, our ancestors worked 12 and 14 hours, sometimes longer, and grew stronger rather than weaker as a result. Not having capitalism to help them the workers were obliged to put in eight or nine hours daily to provide the family with food alone. They had to work to live.

Why don't the workers of the present, instead of demanding an eight-hour day, consent to work nine hours for 49 or 50 weeks, having an agreement with their employers that they may have two or three weeks' vacation each year without losing their jobs? Such an arrangement would enable them to have a very great deal more fun; and the employers probably could be induced to offer a bonus for continuous service during the remainder of the year, which would be striven for as an additional vacation fund.

It is highly desirable that American workingmen understand that the wage earners of other countries cannot hope to enjoy, for a very great many years to come, more than a very small proportion of the luxuries that even the

poorer paid people do in this country. Capitalism hasn't yet increased their productive capacity sufficiently to make the American standard of living possible. They simply can't produce as much per capita as we consume.

A physician who recently returned from a long perod of service in the warring areas says: "There may be a place in Europe where the wage earners live in modern dwellings, equipped with running water, baths, set tubs, heating plants, electric lights and gas, and containing comfortable furniture, books and pictures; where their children are well dressed and sent to school until they are 16 or 17 years old before going to work, and where the families of the working people have a fairly good surplus with which to enjoy themselves; but if there is such a place I failed to find it or hear of it in all my travels."

An American citizen who, after traveling extensively in Russia, returned to this country as an agent of the bolsheviki, told a congressional committee before whom he was testifying that the Russian workmen and peasants found "it quite difficult to believe the large and fancy tales that we foreigners came to tell

them." By "fancy tales" he referred to the descriptions given of the way the working people live in the United States. And he, being a socialist, had returned to help destroy the capitalism that makes it possible for the working people of America to enjoy the luxuries that they do.

Luxuries are not the product of labor organizations, proclamations, resolutions, petitions, parades or social uplift legislation. Huge amounts of capital must be created, saved, accumulated and set at work efficiently by capitalism before luxuries possibly can be brought within the reach of the working people. Nothing else ever did or ever can create this much to be desired condition of society.

We have it in America. It is the birthright of American citizens. Shall we keep and guard and nourish it? Or shall we permit a lot of imported agitators to destroy it with their propaganda?

Envy of those who have more than we do, who apparently strive less and live better, is the spark which these propagandists of destruction hope to fan into a flame that will reduce our highly developed industrial civilization to

ashes. Therefore, we must learn to subdue our envy, and it will be easy to do this if we keep in mind the fact that the greater the activity, progress and success of capitalism the more there will be for ourselves, our wives and our children. It needs no argument to support this statement. Those of us who are not blind can look about us and see it on every hand.

Chapter XV

OUR OPPORTUNITY

In the foregoing chapters it has been sought to establish the fact clearly that the material welfare and happiness of the people depend first of all upon production. High wages, short work-days and old-age pensions are delusions. The workers never can be well off except when the volume of production is large enough to supply in full the wants and reasonable desires of all the people.

When productive capacity is being operated continuously throughout the country capitalism is well pleased to accept a narrow margin of profit. It, indeed, is obliged to, as under such conditions strenuous efforts must be made to induce the public to come into the markets and purchase the enormous volume of product.

Every producer then must strive to deliver his product to the manufacturer or merchant in such condition that it cannot fail to give satisfaction, and the success of the individual manufacturer and merchant depends upon abilty to please the consumer.

Operating under the conditions described the greater number of corporations can turn their working capital over several times each year, and, though making only two or three cents on each dollar of product, earn a satisfactory return on their property investments. The income of the wage worker is much larger, because it is continuous, and it then has a maximum of purchasing power.

We Americans have an opportunity that is better than the like one possessed by all other peoples, because ours is incomparably nearer at hand. The people of practically all other countries must strive and save for years if not generations to come to accumulate capital and put it at work effectively before they can raise themselves to our standard of living. Our predecessors have done this for us and we should be endeavoring to hand down to our children a far greater heritage than we received. Our

opportunity is in our ability to clear away the many obstacles that heretofore have prevented our capitalism from doing as much as it might do for the present and coming generations.

Everything that interrupts or restrains the proper and legitimate activities of capitalism tends to restrict the volume of production, and by so doing increases labor's number of incomeless days and adds to the general cost of living.

Therefore we should set our faces sternly against bolshevism, I. W. W.-ism, socialism, strikes, free trade, all of the many varieties of experimental reform legislation and every tendency that may develop on the part of the government to engage directly or indirectly in business, or to interfere, except by way of enforcing criminal laws, with the industrial enterprises conducted by its citizens.

If business could be permitted to go ahead unrestrained and unhindered all classes of people in this country soon would be enjoying far greater prosperity than they did during the war or in any preceding period, and there is no reason to doubt that it could be made continuous. The farms, mines and factories can

be increased in productive capacity and a market for their output developed here among our own people. We shall need to export only enough to pay for the things we import, like tea, coffee and silks. With such a volume of production there will be much more for all of us and we necessarily shall have the purchasing power to absorb the product.

It is essential, however, that we exercise a jealous care for this capitalism which has made Americans the best fed, clothed and housed, the most independent, happy and luxury-enjoying people in all the world. Impoverished governments and bolshevist agitators everywhere are directing the attention of their people to the United States and telling them over and over again that it is the richest country in the world. Propagandists are among us now, and they have been kept here for many years past, advocating all sorts of changes and reforms which they believe will weaken us or direct our powers to our own destruction.

Shall we hold fast to those things which we have tried and found good, to the republic and the policies that have made us the greatest and most prosperous of all peoples, or shall we con-

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sent to listen to quack economists and charlatans and at their behest fall down and worship new and unknown gods?

THE END.

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